The NATIONAL UNDERWRITER

REINSURANCE EDITION

THURSDAY, DECEMBER 25, 1947

THE NATIONAL UNDERWRITER. Published weekly (with one additional issue in April) by The National Underwriter Company. Office of Publication, 175 W. Jackson Blvd., Chicago, Ill., U. S. A. 51st year, No. 52, Thursday, December 25, 1947. $5.00 a year (Canada $6.00). 20 cents per copy. Entered as second-class matter April 25, 1931, at the post office at Chicago, Ill., under Act of March 3, 1879.

WEEKLY NEWSPAPER OF INSURANCE

The NATIONAL UNDERWRITER

DECEMBER 25, 1947
51st Year. No. 52

George H. Duxbury Is New President of E.U.A.

Retiring President Berry Discusses Commissions; Sly Is Retiring

NEW YORK — Approximately 175 attended the annual meeting of Eastern Underwriters Assn. here at which

John A. North

G. H. Duxbury

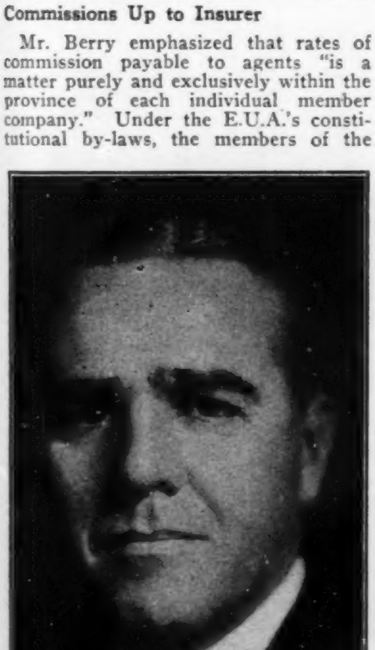
George H. Duxbury, U. S. manager of North British & Mercantile, was elected president. He succeeds Peter J. Berry, president of Security of New Haven.

John A. North, vice-president of Phoenix of Hartford, was reelected vice-president and in addition became chairman of the executive committee, and Donald C. Bowersock, president of Boston and Old Colony, was elected vice-president. John C. Evans, president of Great American, continues as treasurer.

H. Belden Sly, secretary, and John Derby and Louis Shaul, members of the headquarters staff, will retire Jan. 1, under appropriate financial allowances.

Commissions Up to Insurer

Mr. Berry emphasized that rates of commission payable to agents "is a matter purely and exclusively within the province of each individual member company." Under the E.U.A.'s constitutional by-laws, the members of the



P. J. BERRY

association have no obligation to abide by or to follow the opinions expressed by the association as to maximum reasonable rates of commission, he said.

However, he reminded members, costs

(CONTINUED ON PAGE 9)

Insurance Teachers Set for Chicago Annual Rally

American Assn. of University Teachers of Insurance, at its 50th anniversary gathering Dec. 29 at the Drake hotel, Chicago, will have a morning session devoted to company training programs and objectives, an afternoon program covering non-governmental medical care programs, followed by a business meeting and then a dinner at which the speaker will be Dr. S. S. Huebner of University of Pennsylvania on "A Look Ahead."

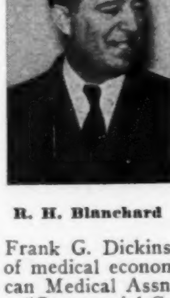
Ralph H. Blanchard of Columbia will be chairman of the morning program and at that time Harold Gardiner, educational director of Northwestern Mutual Life, will give a talk on training programs and objectives from the life insurance company standpoint. H. Paul Abbott, director of education of Insurance Co. of North America, will talk on a property-casualty company program.

Those nominated to take part in the discussion are H. H. Irwin, educational director of Massachusetts Mutual; J. Edward Hedges of Indiana University and Warner C. Danforth, superintendent of education department of Employers Liability.

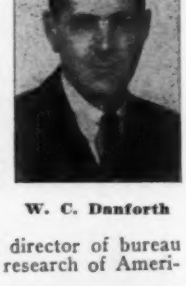
Bowers to Be Chairman

Edison L. Bowers of Ohio State University will be chairman in the afternoon.

"Cost, Supply and Demand Problems of Medical Care" will be treated by Dr.



R. H. Blanchard



W. C. Danforth

Frank G. Dickinson, director of bureau of medical economic research of American Medical Assn.

"Commercial Group Medical-Hospitalization Covers" is the subject of Albert Pike, Jr., actuary of Life Insurance Assn. of America. "Medical Society-and Hospital-sponsored Plans," J. C. Ketchum, executive vice-president of Michigan Medical Service.

Anchor man on this part of the program is W. R. Williamson, president of the Wyatt Co., who will speak on "Strengths and Limitations of Non-Governmental Programs." Those scheduled to take part in the discussion are Dr. Elizabeth W. Wilson of Cambridge, Mass.; Frank Lange, research manager, Assn. of Casualty & Surety Companies, and E. A. Gaumnitz, University of Wisconsin.

C. A. Kulp, University of Pennsylvania, will be chairman of the dinner session.

Constitutional Revision Up

The association will vote on a constitutional amendment revising the definition of associate members. H. H. Irwin is chairman of a committee on this subject, particularly with a view to expanding associate membership among insurance company personnel eligible for it. The proposed amendment has been submitted to members in advance.

The proposed change sets forth three groups of persons eligible for associate rank. The groups are those who are or have been engaged in teaching classes of insurance, have or have had as a primary responsibility supervision of the formal training or education of agents and have or have had actuarial, research or statistical duties in the field of insurance as a major assignment. The present constitution loosely defines an associate member as any person who is or has been engaged in any form of educational work in insurance.

As before, active membership is restricted to a person teaching for a degree credit one or more insurance courses in an accredited college or university in the U. S. or Canada at the time he applies for membership. Only active members have the right to vote or be officers, but one associate member is customarily elected to the executive committee. J. M. Breen, Chicago, educational director of Lumbermens Mutual Casualty, is currently a member of this committee.

N.A.I.A. Reaches 24,000 Mark in Membership

A new membership mark for National Assn. of Insurance Agents has been scored with the recording of the 24,000th agency firm this week, Walter H. Lupke, Ft. Wayne, Ind., chairman of the membership committee, announced.

Mr. Lupke expresses complete confidence in the attainment of the 25,000 figure early in 1948. He particularly noted the upsurge of membership activity in such sparsely populated states as Wyoming, North Dakota and South Dakota as indicative of the growing consciousness for the need of organization among the agents of the country.

Mr. Lupke also complimented California and Texas for enrolling the largest number of new members during the past few months. The total for California now stands at 1,901, which places that state in an excellent position for the achievement of its 2,000 goal. Other states that have made substantial gains are Oklahoma, New Jersey, Kansas, Kentucky, and Connecticut.

Collections No Problem at 1947 Year End

Insurance companies generally report that the year is closing in splendid style so far as collections are concerned. There had been some fear that the situation might get worse this year and many of the field men started in on their year end collection program as early as Nov. 1. However, there were no unfavorable developments and the field men say that the only problem is the usual one of a handful of chronic delinquents who don't surrender until they are subjected to all the importunities that the special agent can summon.

FCIC Finally Makes Profit

Federal Crop Insurance Corp., for the first time in history, operated in the black during 1947, according to Congressman Stockman, Oregon, who said he had been so advised by the FCIC manager. Profits are estimated at from \$15 to \$18 million. The corn program was in the red, but premiums exceeded losses in wheat, flax, cotton and tobacco.

Osgood General Agent

Edward F. Osgood has been appointed general agent for Monarch Life for Vermont and part of New Hampshire. He has been an A. & H. specialist and was formerly a local agent at Worcester, Mass. He succeeds James A. Bruce, who is retiring.

A semi-annual dividend of 50 cents per share was paid by **Kansas City F. & M.** Dec. 15.

Barry Truscott Is New President of Camden Fire

Son of a Former President, He Has Been with Company 35 Years

CAMDEN—Barry Truscott has been elected president of Camden Fire to succeed John F. Gilliams who retires at the close of the year.

Mr. Truscott was born at Camden, in 1895 and is the son of the late J. Lynn Truscott who also served as president of Camden from 1923 until his retirement in 1929. After completing his education at Penn Charter School, Philadelphia, he began his insurance training with Camden Fire in 1912. He had a distinguished record in the first war as a first lieutenant fighter pilot in Royal Air Force. Returning to Camden Fire in 1919, he was sent to Chicago on a special assignment to organize the Camden agency in mid-western territory and in 1920 was recalled to the home office to become assistant secretary in charge of the western underwriting department. He was elected secretary in 1923, vice-president in 1927, and a director in 1942.

Barry Truscott

Mr .Truscott has represented the company at Western Underwriters Assn. meetings and is well known among company executives. He has traveled extensively in the mid-west and has many friends in the agency ranks.

To Honor Newell Johnson

ST. PAUL—A large all-industry dinner honoring Newell R. Johnson, who retired as Minnesota commissioner Dec. 1, will be given here Jan. 19 by Insurance Federation of Minnesota. It will also be a welcome to the new commissioner, Armand W. Harris.

Charles F. Liscomb of Duluth, past president National Assn. of Insurance Agents, will be toastmaster and the chief speaker will be Pierce Butler, Jr., St. Paul attorney.

George W. Wells, Jr., Northwestern National Life, president of the federation, is now appointing a general committee made up of representatives of all state-wide insurance organizations.

American Program Success

First Boston Corp. announces that of the 602,392 shares offered to stockholders of American at \$13, 602,392 or 91% were subscribed to. The balance of 60,112 shares will be taken by the underwriters. The net balance of 46,809 shares remaining after adjustment for sales made during the subscription period were sold at \$15.

Wickliffe P. Ray, 70, president of the W. P. Ray & Co. general agency of Indianapolis, died Dec. 22 after a long illness. He graduated at Indiana University and went with Northern of New York, rising to western general agent. He formed the general agency in 1930. He was a past most loyal gander of the Indiana Blue Goose.

Facultative Market is Having Its Troubles, Too

Business placed facultatively among direct insurers or with professional reinsurers (the few places that the latter is possible) is not looked upon by the majority of professional reinsurance companies as being within the area of their operations. Yet the vast amount of business placed in this manner bears importantly on the volume of business that is available to the professional reinsurers under treaties.

Occasionally it is suggested that professional reinsurers set up facultative departments. Some have done this and then became discouraged and withdrew because personnel costs are considerably higher than in strictly treaty operations and also because of the apparent lack of volume. However, a facultative department might prove a good operation for the reinsurer when volume levels off.

Might Help in Future

One observer thinks it would answer a question that is uppermost in the minds of fire reinsurers today: How much business are they going to get from direct writers when premiums are scarce? If the professional reinsurer had a facultative department, it could participate in the larger lines, and this would be a source of additional business even in lean times. Also, facultative business leads to treaty business the reinsurer otherwise might not secure.

One reason for the unsatisfactory experience of professional reinsurers with facultative departments, it is said, was the fact they didn't have expert underwriters in charge. The manager of the facultative department of a reinsurer that subsequently gave it up followed the net retention of the ceding company as a reinsurance underwriting guide. Apparently this can't be done unless the reinsurer gets a participation in all the risks that the direct writer insures and thus gets spread. Not all the risks of a company show up in the facultative market by any means, as they do under treaties. Most of the risks are big ones. Under a treaty the reinsurer does no underwriting.

Record of Success

There are some professional reinsurers who take facultative business, and are having good success with it. They were successful even in lean times when direct writers, too, were hungry for business.

The successful placers of facultative reinsurance are underwriters and not the strictly salesman type. Today they also have to walk further and talk longer than ever before.

Considerable business formerly handled by way of facultative reinsurance among direct writers now is taken as a direct line from agents or brokers because the companies can't place it by the reinsurance route. They generally are writing the same net line but have had to reduce their gross lines. Consequently they toss the business back to the agent, who has to place it. It seems to be more the product of the times than it is of a desire to gain favor with individual producers, although where the latter can be accomplished at the same time, it is not overlooked. Facultative men still are placing, however, a record volume of premiums.

Facultative "Agreements"

Facultative reinsurance is placed somewhat on a treaty basis; at least to the extent that the reinsuring company is bound for a certain length of time, though it has the privilege of cancelling the risk. Such arrangements continue to exist. Today the companies want faster action than they used to; they want to know more quickly if they are going to get the business placed. However, these arrangements do remain essentially the same, even though the timing and details reflect today's market conditions.

The reduction of commissions in excepted cities will be reflected in facultative reinsurance commissions. These commissions follow the direct writers' commissions to agents. However, this is not expected to make the placing of reinsurance much easier.

The commission for treaty business is higher than it is for facultative, partly because the reinsurer gets more volume under a treaty, gets a better spread and gets it more regularly. Both are down somewhat, with facultative at 35% or less. This is 2½ to 5 points over what the direct writing company pays, and in some instances less. One company is getting all the business it will write at 30 plus 2½%, rather than 30 plus 5%. Facultative commissions formerly were around 45%.

Loss Ratio Better

The loss ratio on reinsurance placed facultatively has not been worse than in the past. It may have been somewhat better, although it is hard to find any evidence one way or the other. Actually the stricter choice which has been imposed by the tighter market tends to improve the business placed facultatively and to produce a better loss ratio. However, where writings of a company facultatively have been reduced, the expense factor has gone up.

A few years ago direct companies looked for facultative reinsurance to get spread and to make more profit. Today they need capacity and take business in order to get a return service from other companies. A good many direct writers have quit accepting facultative reinsurance.

The restrictions on the facultative market are particularly noticeable on jumbo lines. The types of risks for which there is today the greatest demand for facultative reinsurance and which are the hardest to place are those that have always been difficult in the past—bowling alleys, coal mines, woodworkers, peanut mills, etc. In general they are unprotected riks of hazardous occupancy. There is the exception of the class that has proved profitable over a period of years.

Example of Bowling Alleys

For example, for some companies bowling alleys have been all right for a couple of years. They are not impossible to place although today most companies frown on them because of the moral hazard particularly in localities where there was (but isn't now) a lot of war industry. During the war reluctance to take them was based on the inability of the alleys to get pre-war wax and pin finish. These conditions now have improved, but the questions of moral or human failure, not necessarily deliberate by any means, have to be taken into account. There is still the problem of getting pin boys and employes' carelessness to take into account.

Reinsurance of windstorm and extended coverage is having a hard time. All companies are reluctant to take it.

Most companies, reinsurer and direct writer alike, that do a facultative business, are tough about five year term business, and some won't write it. After all, the direct writer's big problem is one of reserves. What they do is whittle the offering down to one year.

Veteran Fireman Joins Planet

Eldon J. Wimmer has been named safety engineer for Planet. He will make fire inspections and assist in the training of safety engineers for Standard of Detroit group in fire prevention. Mr. Wimmer served 20 years with the fire department at Highland Park, Mich., until retirement as a captain.

Form Insurance Student-Alumni Group at Illinois

Another big step in the educational field was taken last week at Champaign, Ill., with the formation of Illini Insurance Society, composed presently of students at the university who are taking the insurance course, but eventually will include all graduates of Illinois who are now in the insurance business.

The new organization has adopted as its slogan: "Bridging the gap between the classroom and the field." At the inaugural dinner there were company and agent representatives from throughout the state from the top levels, and there were nearly 100 persons attending. The idea of the society caught on so spontaneously that several of those on hand asked that they be permitted associate member status although not Illinois alumni. This was granted, and associate memberships are open to college graduates in the insurance business interested in the movement.

Officers of the society are all students at the university. They are: president, R. C. Haeger; vice-president, R. M. Sinks; secretary, J. L. Harrant; and treasurer, R. W. Garner.

The insurance course at Illinois is in its first year. It is on a full curriculum basis in the school of commerce and students may graduate with insurance as a major. Last year Robert B. Ayres, agent with Aetna at Chicago, taught the insurance course there and he is primarily responsible for the institution of the course. Mr. Ayres was unable to attend, but came in for a good many words of congratulations by the speakers.

Speakers included Kenney Williamson, general agent at Peoria for Massachusetts Mutual Life, who discussed the importance of life insurance to the country. Mr. Williamson was made first honorary member of the society.

Other speakers were Dean Howard Bowen of the school of commerce, whose topic was "Importance of University Insurance Education And Research"; Dr. M. H. Hunter, head of the department of economics, who talked on the insurance curriculum; Robert I. Mehr, the professor of insurance, and H. C. Rountree, director of the extension division.

The charter membership list is composed of university students, several whose fathers already are prominent in the business. Among them are W. C. Weipert, whose father is Chicago manager of London Assurance; John Britt, son of Ray Britt, Danville local agent and a past vice-president of the Illinois Assn. of Insurance Agents; and T. K. Hostetler, a nephew of W. B. Hostetler of the Bennett & Shade agency of Decatur, a vice-president of the Illinois association. Another chartered member is S. R. Hu of China, who is studying American insurance methods.

Fireman's Fund Pioneers Group Is Growing

Membership in Fireman's Fund Pioneers, countrywide organization of employes with the companies 25 years or more, has reached 167, representing combined total of 5,115, it was reported following dinners and luncheons held at San Francisco, New York, Boston, Chicago and Atlanta on the fourth anniversary.

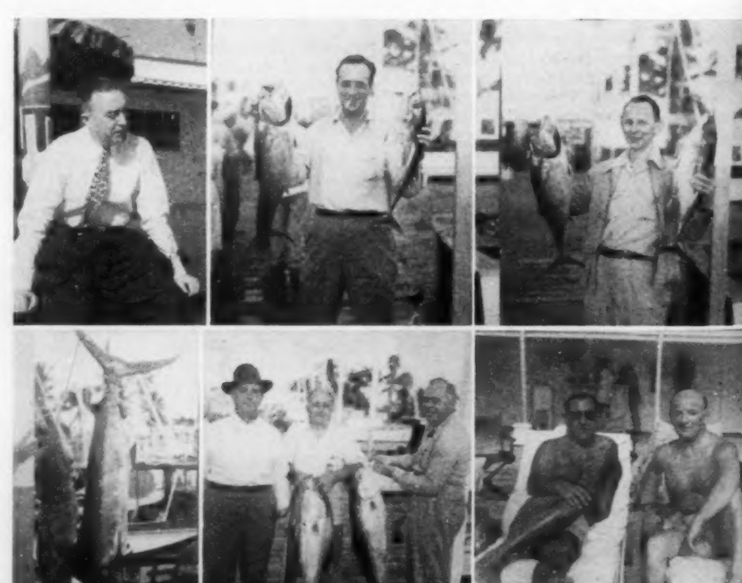
The new members admitted in the last few months received engraved watches. Henry E. Reed, New York, is national president and Marie Branstedt, San Francisco, national secretary. Regional vice-presidents are Frank J. Brady, San Francisco; Theo. H. Noll, Boston; Walter Skow, Chicago; Thos. D. Fisher, Atlanta; Marilyn A. Hennin, Atlantic marine department.

Miller to Indiana Post for America Fore

Kenneth Miller has been named special agent in Indiana for American Eagle and Continental, assisting State Agent E. P. Carson, with headquarters at 7 North Meridian street, Indianapolis.

Mr. Miller has been with America Fore for more than 11 years except for military service.

Between Sessions at N.A.I.C. Parley



PLAYTIME VIEWS OF NOTABLES AT COMMISSIONERS CONVENTION AT MIAMI BEACH:

Top: A. L. Kirkpatrick, insurance manager U. S. Chamber of Commerce; D. A. Tapley, actuary, and J. Roth Crabbe, associate counsel Farm Bureau insurers, Columbus (same fish).

Below: World record 156-pound blue marlin for nine-thread line captured by S. D. Mills, chief rate analyst of New Jersey department; Leroy J. Taft, assistant insurance director, Kentucky; W. H. Norton, president Inland Mutual of Huntington, W. Va.; R. L. Walker, manager at Orlando, Fla., for Peninsular Life; C. A. Kahaner, president, and H. Zachary Miller, superintendent of agencies Pennsylvania Accident.

WDC Current Payments Are 75% of the Ultimate

Fiduciary Agents to Treat Payment as Unallocated Earned Premium

Checks now being received by insurers from War Damage Corp. are in the amount of 75% of their participations, though WDC states in its communication to companies that 100% will be paid when an acceptable final audit report of WDC affairs in the insurer's office has been made, or when differences have been adjusted. These differences are few and minor, and might concern disagreement over an expense allowance.

Each fiduciary agent is also receiving a handsome certificate of commendation from WDC for its service to the country in time of war.

Total Results Given

The results of the general program as reported by WDC show gross premiums less return premiums of $244,911,948 other income of $9,962,477 for a total of $254,874,425. Disbursements were $16,228,832 as commissions to producers; $5,292,952 allowance for expenses of the fiduciary agents (the companies); $2,431,590 operating expenses of the WDC; less adjustment and investigation expenses $6,069, and $80,063 losses and provision for losses, for total disbursements of $24,039,508. This leaves net income of $230,834,916.

WDC asks the companies to keep intact all books of record and accounts, other files and records including copies of applications of WDC pending instructions as to their disposition.

The money received by the companies probably will be set up as earned premiums. Losses were so negligible as to be unchargeable against the amount returned to companies, and expenses were worked off currently as the program went along. Companies charged expenses and acquisition costs to the fiduciary commission. If it did not use up that commission, any remainder was paid back to WDC on a current basis. A few companies whose expenses exceeded the commission, received additional payments.

Maximum Was $20 Million

The companies' participation of $20 million is the full participation. That was the maximum set for participation as to either losses or profits. Producers got 5% for a regular premium of $20 or more up to $1,000 commission, with $1 on premiums of less than $20. The company received 3½% with a minimum of 50c a policy and maximum of $700. Company participation was based on premium of each carrier, $5,000 for each $200,000 of net premiums or fraction written in 1941. The companies assumed 10% of losses up to $20 million.

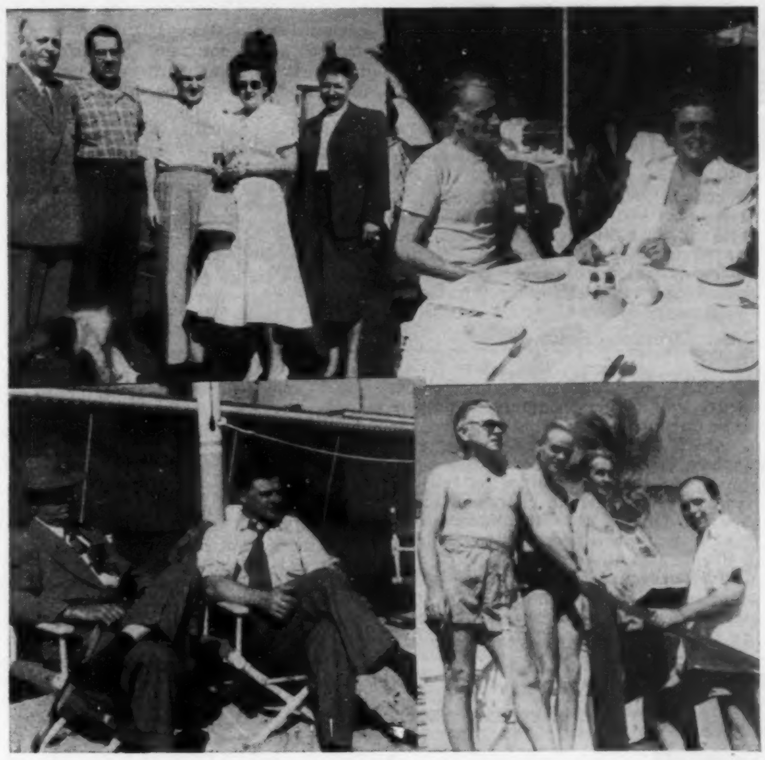
It is not anticipated that there will be any state premium tax liability on the payments. There was no breakdown by states as the business was written. At that time some states wanted such a breakdown in order to collect the premium tax but the government forbade it. Apparently it was not the intention that companies should pay a premium tax.

The payment is not salvage, and while individual companies may handle it somewhat differently, the indication is that it will go on the books as earned premium and be reported as a single line entry on schedule T, an unallocated item.

Under the several war damage insurance programs, RFC has distributed to date to 684 insurance companies which participated in the programs $17,252,020, including $14,679 heretofore disbursed by the corporation in full settlement of the interest of the participating companies in the glass reinsurance program.

Through these companies more than 8,700,000 policies or renewal certificates were issued, representing a potential liability of approximately $140 billion.

Subsequent to June 30, 1947, RFC paid into the Treasury, to be applied in reduction of the national debt, $209,827,810, representing the net income realized from operations of the programs.



INSURANCE PEOPLE ACCUMULATING MID-WINTER BURN AND TAN DURING COMMISSIONERS CONVENTION AT MIAMI BEACH:

Above—S. L. Carpenter, Jr., manager Pacific Board; Guy T. Warfield, Baltimore, immediate past president, and Walter H. Bennett, counsel National Assn. of Insurance Agents; Mrs. Warfield, Mrs. Carpenter, E. A. Meyers, Chicago attorney, and Mrs. Meyers.

Below—Jesse White, Mississippi commissioner, and Richard Fenker, Mississippi actuary; Charles P. Butler, North America, New York; Edward McLaughlin, North British & Mercantile; Francis T. McGovern, deputy commissioner Rhode Island; J. Austin Carroll, Providence Washington.

St. Louis Producers Condemn Commission Reduction

ST. LOUIS—Representatives of Insurance Board of St. Louis, Associated Fire Insurance Agents & Brokers of St. Louis and Insurance Brokers of St. Louis met to discuss the reduction of wind and extended coverage and auto physical damage commissions.

After the meeting Bennett G. Gregory, executive manager of the board and acting secretary for the two other organizations, issued a statement expressing sympathy for and a desire to aid in, the solution of, the problems confronting insurance companies. But it was agreed, that the problems which are sorely pressing agents and brokers also demand consideration and solution. It was noted that the rate of commission has in no way been increased over a period of many years, while the costs of operation have increased alarmingly.

"The business life of the agent and broker is dependent upon a sound and certain rate of remuneration and this is normally expressed, particularly between the company and the agent, in the form of a written contract.

"The action of certain insurance companies recently in at attempt to reduce the commissions in their contracts by unilateral action and without consultation with the other parties to the contracts was, in the opinion of all the representatives, not only unsound from an economic viewpoint but undeserved and unjustified from the standpoint of business morals."

The statement "condemns" such actions, and suggests that such concerted action during a market shortage "gives rise to serious questions concerning the coercion provisions of the Sherman act and very probably violates the Missouri anti-compact law."

KENTUCKIANS DISTURBED

LOUISVILLE—The subject of reduced commissions in the excepted territory of Louisville, Newport and Covington, is a powder keg, and, it is reported the Louisville Board is at least considering a proposal to remove the two agency limitation rule. The commission scale in this territory has been 35% flat with 10% contingent. That would be for the purpose apparently of favoring companies that do not put the reduction into effect.

There are reports that some non-affiliated companies are offering 30% flat instead of the proposed 20, 25 and 30.

Krier Speaks to Local Group

JEFFERSON, WIS.—R. N. Sweard, Lake Mills, succeeded S. O. Donkle, Jr., Fort Atkinson, as president of the Insurance Underwriters of Jefferson County at the annual dinner meeting here. W. R. Norris, Palmyra, was named vice-president, and A. R. Setz, Waterloo, reelected secretary-treasurer. Urban Krier of Milwaukee, executive secretary Wisconsin association, discussed national and state association affairs and plans. The agents were urged to take up with local high school authorities the matter of installing driver education courses to aid students in acquiring knowledge and developing attitudes essential to becoming good automobile drivers.

At the Christmas party of the **Insurance Women of Erie, Pa.,** a dinner was followed by an entertaining program. Miss Pia Scalzitti was mistress of ceremonies.

Stubbs Heads K. C. Class 1 Agents

C. Stephen Stubbs, III, Gambrel-Stubbs Agency, was elected president of the class 1 members of the Insurance Agents Assn. of Kansas City at the annual meeting last week. Otto H. Westerfeld, Westerfeld Agency, is vice-president; Fred V. Griffith, W. B. Johnson & Co., treasurer, and John M. Nuckols was reappointed executive secretary.

S. E. Giles, Jr., Mann, Kerdolff, Kline & Welsh; Robert H. Oppenheimer, Oppenheimer Bros., and Frank G. Altman, Altman Singleton & Co., comprise the executive committee.

The agents adopted a resolution vigorously opposing reductions in commissions. Copies were sent to Charles W. Ohlsen, president of Western Underwriters Assn.; Superintendent Jackson of Missouri and to association officers. An attached letter asked for a reply before Jan. 1.

$50,000 Loss in Jewels Reported in Armed Theft

Commercial Union had a loss estimated in preliminary checks at about $50,000 from the armed robbery of Albert Zakin of a New York jewelry firm last Sunday. Thieves held up Zakin in the deserted lobby of his office building, at 595 Fifth avenue. He valued his jewels and watches at from $75,000 to $100,000. He was returning the jewels from a New Jersey hotel where they had been on display over the weekend. They were insured under a jewelers' block policy.

Syndicate Treasurer Retires

NEW YORK—Ernest W. Schuler, treasurer of American Marine Hull Insurance Syndicate and affiliated organizations, is retiring at the end of this year and was a guest of honor at a luncheon given by the board of managers of the syndicates here. He joined the syndicates in 1920.

R. F. Weyant, who joined the syndicates in 1946, will succeed Mr. Schuler as treasurer.

Would Bring Va. in Line

RICHMOND—Jan. 8 has been set as the date for a hearing before Virginia corporation commission on application of Virginia rating bureau for permission to make adjustments in rates on auto physical damage lines. These changes correspond to those that were effectuated in most other states commencing in the spring.

Luther Post to Arizona

Luther Post, who has been special agent in southern New York territory for National Fire since returning from service in the first war, has resigned to engage in the insurance business at Phoenix, Ariz.

Cat's Meow to Elect

ST. LOUIS—The St. Louis court of Cat's Meow will hold its annual meeting and New Year Eve celebration Dec. 31.

Cal. Men Act on Commissions

The new directors of California Assn. of Insurance Agents, meeting at Santa Cruz, discussed the matter of commission scales. Officers were directed to protect agents from what is termed the hasty and ill-advised action threatened.

"The Effect of Labor Efficiency on Insurance Values" was the subject of a forum conducted by **Insurance Buyers of Pittsburgh** with Paul C. Cost of Industrial Appraisal Co. opening the discussion.

The Clearweavequix caravan, visited the **Employers group** lunchroom and recorded a program for broadcast over the Yankee network. Broadcast consisted of informal chats with company employes.

Views Differ on UNRRA Self-Insurance Results

Those Administering Program Claim $30-35 Million Savings

By H. C. HALLAM

WASHINGTON — Savings aggregating $30 to $35 million in costs of marine and war-risk insurance on shipments from the western hemisphere alone, it is claimed will have been made during a three-year period, as a result of United Nations Relief & Rehabilitation Administration's program of self-insurance, which was authorized by the UNRRA council at its first session.

During the period of governmental operation of ships UNRRA had a reciprocal waiver of claims agreement with the war shipping administration covering losses on cargoes and ships, respectively, which was finally settled by WSA payment of $1 million to UNRRA, representing excess of claims waived by UNRRA over claims waived by WSA.

Since the government released most of its control over shipping, UNRRA is paying a total estimated at between $1½ and $2 million in commercial marine premiums for insurance covering the contributions of cargo in general average and cargo's liability for salvage awards.

Other Insurance Features

Besides marine and war risk, UNRRA's insurance program includes fidelity and forgery, employes compensation, group life and other phases all of which are commercially insured in whole or in part.

All these will be reported on fully by Richard W. Turner, in charge of insurance for UNRRA, as the international relief organization proceeds to liquidate in the months to come.

Mr. Turner succeeded Ralph Boyer, insurance chief of atomic energy commission, who organized and developed the UNRRA insurance program during his two years' service with the latter organization. Mr. Turner was connected with companies in New York and with the law firm of Duncan & Mount, before joining UNRRA two years ago.

UNRRA council resolution 15 authorized self-insurance if it could be worked out. That resolution was intended and interpreted to be an indication of policy, which has been followed as the general principle of the program.

Record Was Kept

Instead of setting up reserve funds, etc., as self-insurers sometimes do, however, it was decided to write off marine losses as they occurred and keep a record of them for statistical purposes, as a basis for the prosecution of claims against ship operators. Also, to estimate the marine premiums which would have had to be paid if UNRRA had been on the market purchasing such insurance.

The stated purpose was to arrive at a comparison of marine losses and costs under the two methods indicated. By the middle of 1946 it became apparent UNRRA was saving money on the basis of its marine insurance operations. Estimated savings will total $30 to $35 million, ultimately, on western hemisphere shipping alone UNRRA officials say.

As of June 30, 1946, UNRRA shipments from the western hemisphere, if insured on the commercial market, would have had to pay marine and war-risk premiums slightly in excess of $23 million. Losses on such shipments during that time were about $4½ million. Savings, $18½ million.

Eastern Hemisphere Results

UNRRA shipments from eastern hemisphere ports have been about 20 to 25% of total UNRRA shipments, it is stated, and insurance losses and savings are about in the same proportion. The loss experience since June 30, 1946, has been about the same as prior to that date.

Magnitude of UNRRA operations may be indicated by the fact that at their height UNRRA made shipments in from 100 to 150 vessels per month, or three to five per day. Some were whole cargoes, some part cargoes; some in government vessels, others in private vessels. Shipments are expected to end before a great while. Some UNRRA supplies are still in "pipelines" and some still going to China and a few other countries. Most of the goods remaining to be shipped will come from contributing countries other than the United States. According to present plans, UNRRA will ship whatever it has taken title to at the docks up to Dec. 31.

WSA Waiver Agreement

Early in its existence, UNRRA entered into a waiver agreement with WSA, which at first carried virtually all its shipments from the U. S. UNRRA undertook not to press claims against WSA for loss or damage to cargoes, and in return, WSA was not to press claims against UNRRA for general average or salvage.

UNRRA and WSA officials, realizing that agreement would probably result in an excess of cargo claims over salvage and general average claims, contemplated a lump-sum adjustment to be made at an appropriate time. Such a settlement was made early in 1947, under which WSA paid UNRRA $1 million, representing the excess of claims waived by UNRRA over claims waived by WSA. That settled the marine problem with respect to cargoes carried in WSA vessels.

WSA Position

In this arrangement, WSA represented the shipowners—was the shipowner in perhaps a majority of cases, in view of government wartime construction of vessels; in other cases WSA operated the ships under bareboat charter. Under the agreement, UNRRA did not pay for any salvage awards or general average contribution. By the time the settlement referred to was reached UNRRA was no longer shipping in government-owned vessels, WSA having retired from that field.

This waiver agreement applied principally to UNRRA shipments from the U. S. But it also applied with respect to UNRRA shipments on WSA-operated vessels from South America and some other countries to areas, where relief operations were conducted.

Purpose of the waiver agreement was to save administrative expenses of both UNRRA and WSA that would otherwise have been incurred in preparing and pressing claims against each other. The agreement also resulted in great simplification of the insurance program.

New Policy in 1946

Beginning in March, 1946, with the exit of WSA from the picture, UNRRA has been purchasing general average and salvage insurance on the commercial markets. This coverage principally represents protection against liability to contribute in general average. On shipments from the western hemisphere these purchases have been made in the American market; on shipments from the eastern hemisphere, on the London market. Although these insurances were negotiated separately, the rate agreed upon turned out to be the same, namely, one-tenth of 1%.

During the period beginning March, 1946, and ending with cessation of UNRRA shipments, it will have paid premiums of about $1½ million on western hemisphere shipments and about one-fifth of that amount on shipments from the eastern hemisphere, securing protection up to $5 million per ship.

During the period of operation of the WSA waiver agreement UNRRA was not required to post security against its general average liabilities. By the purchase of general average and salvage insurance, UNRRA was relieved of the necessity of posting cash deposits as security for its general average liabilities with respect to privately operated vessels. Upon the occurrence of a general average sacrifice, the underwriters furnished their unlimited general average guaranties, and the prompt release of UNRRA's cargoes was assured.

Claim Work Accelerated

Mr. Turner says claims work is getting into high speed. Under its self-insurance program, UNRRA presses claims against private ship operators since WSA went out of the picture. However, considerable time will be required to finish UNRRA claims work through negotiation and litigation where necessary.

Besides the marine and war-risk facets, there are a number of other facets to the UNRRA insurance program. The organization has purchased group life insurance with Connecticut General Life for its overseas employes only, which was paid for by deductions from their salaries.

UNRRA also purchased fidelity and forgery coverage from London Lloyds,

whose bid was by far the lowest received, being less than half the lowest bid received from any American competitor. This Lloyds policy provides coverage up to $500,000 for a premium of $10,475 for the first policy year.

UNRRA has an employes' compensation plan administered by itself, covering its employes outside the U. S. This plan is self-insured, subject to an excess cover with Lloyds under which the amount of UNRRA's retention has varied with the number of employes, having been at one time $500,000, but is now down to $100,000. The premium for the excess insurance on this plan has totaled about $110,000 for the three policy years.

UNRRA employes in this country have been covered under a Hartford Accident policy, complying with state compensation laws.

All told, UNRRA officials believe its insurance program has proven to be successful and to have resulted in very substantial savings to UNRRA. At its peak of operations, there were 20 employes in the UNRRA insurance office here, while its London office had 10 insurance and claims employes.

Marine Men Contend Figures Based on False Assumptions

NEW YORK—Company ocean marine men disagree completely and unequivocally with the UNRRA insurance official's statement and say that it is based on several false assumptions. They believe that UNRRA went self-insurer because there were 23 nations involved and that each country wanted its domestic insurers to share proportionately in the premiums. This was impossible to arrange.

They commented that the $30 to $35 million figure assumes that UNRRA would have insured every cargo all risk. No marine underwriter in a sound mind would have done it that way, they declare.

They point out that UNRRA officials estimate that their insurance coverage from March, 1946, to the end of the program in mid-1948 will total about $1½ million. To combat the UNRRA assumption they offer one of their own. If UNRRA shipped a similar quantity of goods during the shorter period from 1945 when they started operating then their premiums would be double, making a total of $3 million. Yet UNRRA estimates that from March, 1946, to 1948 losses will be $4½ million which is well in excess of what the insurance premiums would have brought to the companies.

The $35 million premium figure could only be arrived at by buying forms of coverage which no shipper ever gets, and which no underwriter would offer, particularly under wartime shipping conditions.

Regarding the waiver of claims agreement with war shipping administration which resulted in a $1 million payment to UNRRA by WSA, they indicate that this is a figure pulled out of the air and that WSA did not know what its claims were. They also expressed the idea that this was taxpayers' money.

Enlarging upon the statement that only could the most comprehensive and all risk insurance demand $35 million in premiums, they feel that a figure that high could be reached "only if every cargo was insured as though it were composed of diamonds."

Underwriters say that their experience on the insurance carried for UNRRA permits them to break "just about even." In general they feel that the UNRRA statement is an attempt to justify a commercial decision that was made solely for political expedience.

Board of Trade Group Elects

NEW YORK—The insurance section of the Ned York Board of Trade has elected C. S. Ashley, Maryland Casualty, chairman; H. C. Thorn, North America, vice-chairman, and R. H. Nicholls, America Fore, director of the Board of Trade.

G. A. B. Appoints Moe Pacific Coast Assistant Manager

Ralph R. Moe has been appointed assistant general manager of General Adjustment Bureau's Pacific Coast department.

Mr. Moe joined the bureau in 1924 in San Francisco. In 1933 he was transferred to Salt Lake City as manager and in 1945 was appointed executive supervisor of the Pacific Coast department.

Mr. Moe was sent to Hawaii to complete adjustment of losses on behalf of the War Damage Corp. Later he was one of three insurance men selected by the WDC to undertake a comprehensive survey of damage throughout the Philippines.

L. A. County Group Elects

LOS ANGELES—New officers of the Associated Agents Committee, organization of Los Angeles county local boards, are: President, E. E. Harris, Conway-Pinnell, Huntington Park; vice-president, Barney O'Neill, Wilmington; directors, Ted Ralston, Burbank; W. H. H. Pilcher, Whittier; Don Thompson, Glendale.

Fuller Joins Hare in Fla.

Richard I. Fuller has resigned as Jacksonville, Fla., sales manager of American Mutual Liability, aid has joined the H. C. Hare Co., Jacksonville, as special agent.

Neill to Public National

Robert O. Neill, Cumberland, who for the past 15 years has been an independent adjuster, has been named claim manager of Public National of Miami Beach, Fla.

U. S. Insurance Should Get Into World Arena

By W. HAROLD LEONHART

Leonhart & Co., Baltimore

Conduct of the reinsurance business in the most practicable manner demands that we understand and fully appreciate its international character.


W. H. Leonhart

Officials of domestic companies ask why it is that in the United States there is not sufficient capital or the "know how" to solve our present difficulties entirely without help from abroad.

Unfortunately, even "with" help from abroad, to the limited extent permitted by our regulatory laws and officials, our problems have not been solved nor is the solution seen in the immediate offing.

Therefore, it seems perfectly logical to say that if we cannot readily absorb the volume of business which is creating so much reserve difficulty, with the help of world facilities, how could we imaginably expect to do so on a strictly isolationist basis whereunder all alien facilities would be excluded.

Capital shifts from one part of the globe to another and from one industry or field of endeavor to another, depending upon economic conditions. A great deal of British capital has shifted to South Africa. American capital is attracted more to finance an industry than to the commerce of insurance.

It is obviously, therefore, the greater part of visdom and perhaps today it is economically a necessity that we recognize our national limitations in so many respects and come to know that in the insurance world our background is one which suggests the impossibility of successful conduct if we lower our sights to the national level.

Specifically, our problems are these:

Greatly increased values and risks have so increased the premium volume that insurance carriers today must seek increased capital or insurance buyers and producers must do so in the form of new insurance companies.

Reinsurance carriers find themselves in exactly the same position as the direct carriers; therefore, they must retrocede more to world markets or likewise seek increased capital.

Bankers and investors are not attracted to insurance company financing on the basis of past performance, especially when other fields presently offer seemingly greater profit possibilities.

The insurance industry is struggling with the manifold difficulties of compliance with public law 15, a burden which further complicates the conduct of the business on both the state and national levels.

High loss ratios and inadequate rates have plagued the industry.

Personnel Shortage

Management problems are great because increased premium volumes have taxed accounting, underwriting, loss and inspection departments suffering from a shortage of trained personnel.

Now—with the problems before us, perhaps I can show how the recognition of the international character of reinsurance and insurance will help with the solution, whereas a strong isolationist position will aggravate the situation.

We must realize that sufficient capital is essential to the well-being of insurance carriers and for the security of buyers of insurance. If, therefore, capital thinks in terms of world-wide investments, how can an industry, unable to see over national barriers, hope to attract attention?

Many American insurance companies today have expanded into foreign fields to a greater extent than most of us realize, yet many are unable to envision the need for us to draw back from the foreign fields all the facilities and underwriting ability there available which we can utilize.

Encouraging Domestic Capital

Let us realize then that if capital goes abroad it can also return. If we draw upon foreign capital through the purchase of alien reinsurance, the very willingness of foreign capital to so lend itself will encourage our domestic capital to compete.

The most successful underwriters are those with a thorough knowledge of worldwide conditions. The acceptance of risks for the purpose of realizing an underwriting profit is very similar to placing capital where the investment is safe and the return attractive. Certainly, therefore, we want to encourage good underwriting because it is so essential to the attracting of capital and the payment of dividends to present stockholders. Good underwriting in the reinsurance market is aided by a broader field from which to draw business; therefore, we should encourage all underwriters to do business in every part of the world where it can be done profitably.

International thinking on the part of all reinsurance underwriters will so broaden the field that good sound companies everywhere will find reinsurance facilities more readily available. Given the opportunity to accept liability freely with no more than reasonable and adequate supervision, reinsurance underwriting facilities and the necessary capital will assuredly become available to the extent required.

Continuation of a limited nationalistic attitude will so restrict the conduct of the insurance business in this country that more forms of social insurance will evolve to fill the breach and the profit system will suffer a blow from which it may never recover.

Specific suggestions for the evolvement of a strong sound profit-producing insurance industry providing the facilities demanded by buyers and producers are these:

All insurance company officials and regulatory officials must recognize that insurance and reinsurance are of necessity on the international level. Only with this attitude can they view the business in its proper perspective.

Encourage the exchange of liability amongst sound insurers and reinsurers with a minimum of state and federal regulation. This also applies to foreign countries with regard to the operation of American companies therein.

Put First Things First

Give first consideration to the ability of the insurer or reinsurer to pay losses—fulfill its contract obligations, maintain adequate reserves and invest its assets soundly.

Encourage the development and expansion of the business with minimum capital requirements for organization and permit more liberal premium volume writing in relation to capital but demand adequate loss reserves. Adequacy of loss reserves is the primary requisite for sound operation—likewise unearned premium or reinsurance reserves, but the latter would be more equitable at 37½% than 50% if credit for reinsurance commission or return commission on return premiums is justifiable as many sound thinkers in the industry now believe.

Finally—a study of the supervisory methods in Great Britain, Scandinavia and Switzerland would help us to understand how the many British, Scandinavia and Swiss companies have developed so successfully and contributed so much to the economy of the world.

Let us benefit to the fullest extent possible from a study of the background and phenomenal success of these companies and with the addition of our boundless courage and willingness to pioneer take an important place in the international arena of insurance and reinsurance activity.

Humphrey Named State Agent in Ark. by American

Donald J. Humphrey has been named by American to succeed Walter Plangman as state agent in Arkansas. Mr. Humphrey, a native of Iowa, spent some time in the air force during the war. He was trained at the home office in the education department and for the past year has been in the southern Ohio field.

American has appointed Paul E. Smith special agent in northwest Ohio, with headquarters in the Spitzer building, Toledo.

N. Y. Adjusting Party

About 55 attended the annual Christmas party of Adjusters Round Table at New York. George Vail, Jr., Corroon & Reynolds, took his usual spot as master of ceremonies and, as always, did a good job. This year he varied his emcee fare by turning up with a very creditable piece of poetry. Harry Murtha of National Liberty and Alan Bolles of General Adjustment Bureau were responsible for the arrangements and did a good job. There were a number of guests ,and several long-time members who have not been in town recently, were introduced.

Augustine to Des Moines

Austin Augustine, associate state agent for Home at St. Louis, has been transferred to Des Moines.

Home has promoted Special Agent Edward F. McDermott at Topeka to associate state agent.

Cal. Men Hold Xmas Party

The Marine Underwriters of Southern California closed their most successful season with a Christmas party. The group's membership has increased 30% and the programs in the past year covered many phases of the business.

Hamilton Thacher, Jr., marine secretary Founders F. & M., is president.

R. D. Hodson Leaves Aetna at Detroit for Zurich

Robert D. Hodson has resigned as superintendent of agents for Aetna Casualty at Detroit to become connected with Zurich at the Chicago head office. He is succeeded by Victor Gotti, who has been assistant superintendent of agents. Mr. Hodson at one time was with Travelers at Peoria, later he was in the local agency business at Chicago Heights, Ill., and then he went with Aetna Casualty at Chicago as agency superivisor. He has been at Detroit since 1942.

Many Lines Sewed Up on Eve of Rate Regulation

On the eve of the effective date of rate regulation in many states, a good deal of important business has been sewed up for a term of years under old arrangements. In the casualty field for instance compensation policies have been written for as long as five years, with the rate guaranteed for that period except for rate changes to reflect statutory benefit increases. Inasmuch as most of these plans are on a retrospective basis, the insurers and agents are really not offering much of a bargain, but it does pretty well anchor the business for five years and is a safeguard against the assured running into trouble during the initial stages of rate regulation when there will be many lessons to be learned.

Ohio Group Visits Chicago on Commission Issue

Numerous Ohio agents, mainly from Cleveland and Cincinnati, appeared in Chicago the other day and individually visited western department executives on the commission situation. They told the company men that they would like to bring about an amicable adjustment of the issue and pleaded with the executives to exert their influence to cause Western Underwriterfs Assn. to suggest postponing the effective date for the reduction beyond Jan. 1. However, the agents, it is said, told the company executives that court action would be resorted to if postponement were not forthcoming. They indicated that this would be in the form of a petition for injunction and that it would probably originate at Cincinnati.

OK PPF Increase in Ill.

The Illinois department has now given approval to the rate increase for the personal property floater effective Jan. 1.

Honor Past Presidents

LOS ANGELES—The Casualty & Surety Field Men's Assn. of Southern California was host at its Christmas party to past presidents who have left the field and either are occupying executive posts with companies or are in the local agency business: John Gurash, now production manager of Pacific Employers; Robert Masterson, Joseph Brock and Alan Driscoll, now in the agency field, and Earl Williams, now assistant manager of National Surety.

Resume Chilcote Hearings

ST. LOUIS—The grand jury at St. Louis has resumed investigation into the affairs of Chilcote & Co., general insurance agency, whose president, Donald E. Chilcote was indicted by the former grand jury on a charge of alleged embezzlement by agent from the defunct Mutual Commerce Casualty of Kansas City, now in the hands of Superintendent Jackson for liquidation.

Mr. Jackson was the first witness when the investigation was resumed Dec. 18.

The September term grand jury had recommended continuation of the investigation in its final report to the circuit court.

American Has New Employes Magazine

American has started publication of a new employes' magazine, "Life at American." The first issue appeared Dec. 19 and will be published quarterly hereafter.

The new magazine will measure about 8 x 11 inches and will contain 20 pages and cover. Editor is John N. Cosgrove, and Harold E. Taylor and George K. Kond are associate editors.

Contents will include news of company organization, operations and policies as well as general information about the industry.

Big Loss at Elkton, Md.

Fire destroyed six adjoining buildings in Elkton, Md., and insurance loss is estimated at $100,000.

C. E. Brainerd Retires

Clifton E. Brainerd, general agent in the eastern department of Norwich Union since 1934, is retiring. A successor has not been named. Mr. Brainerd joined Norwich in 1927 as assistant agency supervisor in the western department after being with Automobile in Hartford for a number of years. In 1932 he went into the field in Ohio where he spent two years. He plans to live on his farm in Connecticut.

NEWS BRIEFS

Dickinson County Assn. of Insurance Agents has elected **Joseph Taverini** of Norway, Mich., as president.

Lloyd H. Krueger has been elected president of Niles, Mich., Assn. of Insurance Agents.

The Dewey Insurance Agency has moved into a new downtown location at 24 South LaGrange road, LaGrange, Ill. There was a formal opening last Saturday and the visiting ladies were presented with flowers.

Richmond & Glover agency of Salina, Kan., has assumed management of the Eberhardt-Fitzpatrick agency of that city. The Richmond & Glover agency has moved to 109 West Iron avenue.

The Eberhardt-Fitzpatrick agency will be operated concurrently with the new management and no change in ownership or personnel is being made.

The **Kansas City (Kan.) Assn. of Insurance Agents** at its "Christmas Whing Ding," featured technicolor movies of the trip of Clarence Lind to Sweden, Norway and Denmark earlier in the year.

Max Staley of the Brown, Ginzel & Co. agency, Wichita, is recuperating at his home from a major operation but will not return to his desk for a few weeks.

Edward P. Mills has taken over the William E. Stout agency at Lansing, Mich. The latter owns property in Florida and will engage in business there.

The **west coast offices** of the Standard of Detroit group will move soon to 112 Pine street, San Francisco.

L. U. LeMessurier, surety manager at Chicago for Employers Liability, is now back on the job after having been away two months following a gall bladder operation.

The E. M. Woodward agency of **Wichita** is changing its name to Woodward-Hemphill to include the name of Ivan Hemphill, who became a partner in the agency Oct. 1.

Insurance Women of Maryland has changed its name to **Insurance Women of Baltimore** and it is now cooperating with the other insurance women of the state to organize clubs outside Baltimore.

Region II of the National association will hold its regional meeting at Baltimore in April.

Members of **Insurance Women's Assn. of Seattle** were entertained at an "open house" at the home of their president, Ruby Tutmark, Dec. 23.

Insurance Women of Los Angeles were hosts at a "bosses night" attended by more than 125. The club will resume its educational classes Jan. 7, when inland marine will be the subject.

NEWS OF FIELD MEN

Perfect Plans for Texas Field Clubs

Arrangements have been completed for the meetings at Dallas Jan. 12, Houston Jan. 16, San Antonio Jan. 19, and Lubbock Jan. 23, for the purpose of organizing four field clubs in Texas.

Chairman of the Dallas committee is Chas. D. Blandford of Trezevant & Cochran; Houston, W. E. Horton, Jr., Hartford Fire; San Antonio, A. L. Thompson, Springfield F.&M., and Lubbock, Herndon D. Johns, Home.

The groups will act on a proposed constitution and by-laws and will elect officers.

The speakers at each meeting will be R. C. McConnell, regional manager at Dallas for Royal-Liverpool; Gordon S. Yeargan, vice-president of Trinity Universal; R. B. Cousins, Jr., manager Texas Insurance Advisory Assn., and Walter Plangman, director of public relations for the association.

Honor Schively's Memory

SAN FRANCISCO—One of the largest crowds in many years attended the luncheon Dec. 22, started years ago by San Francisco Blue Goose as a memorial to the late John H. Schively, former National Board staff member and wielder of the pond.

Participants were the pond, Fire Underwriters Forum and Insurance post of American Legion. John Henry Martin, Standard Forms Bureau, was chairman. George N. Cusick of Hinchman, Rolph & Landis led the assemblage in Christmas carols. An inspiring message was given by Chaplain R. M. Minto of Stanford University, who served in the British navy during the war.

Hubbard to Texas for Pacific National

G. L. Hubbard has been appointed state agent in Texas for Pacific National Fire.

Mr. Hubbard has had a long experience in the insurance business. After serving in an office capacity for North America, he became manager of the fire department for Bartholomay-Darling Co. in Chicago, and since that time has spent 15 years as special and state agent in Illinois for Boston and Old Colony.

Mr. Hubbard is a veteran of the first war. His headquarters will be at Dallas.

Galloway Retiring, Russell Takes Ky. for North British

J. G. Galloway, Kentucky state agent for North British, is retiring Dec. 31 after 27 years with the group.

Ben F. Russell, who has recently been associated with Mr. Galloway in the Kentucky field, will succeed him as state agent, with headquarters in the Security Trust building, Lexington. Mr. Russell has been with Kentucky Actuarial Bureau and has had field experience in the state.

Mr. Galloway's Career

Mr. Galloway has spent his entire life in fire insurance, starting at Bowling Green, Ky., his home town, at 16. He was later a partner in the firm of Galloway & Highes, now Galloway, Grider Gadner & Co. He entered field work in 1928. He is a past president of Kentucky Assn. of Insurance Agents and Kentucky Fire Underwriters Assn. Mr. Galloway is leaving for Cuba Jan. 20, and from there will go to Guatemala, where he will spend the winter, planning to return to Louisville next March.

P. W. Names Rowe in Mo.

Providence Washington has appointed George B. Rowe state agent for St. Louis and St. Louis county with headquarters at 805 Pierce building.

Mr. Rowe has been with Hartford Fire, starting at Chicago and most recently as special agent in St. Louis.

Harry Caulkett Advanced

Harry Caulkett, special agent of Commercial Standard in east Texas and Louisiana since 1943 has been transferred to the home office to take charge of the underwriting of fire business. He succeeds O. M. Roberts, who has gone with the H. L. Davis general agency, San Antonio.

H. E. Kenny, Jr., manager of the Dallas service office, will supervise production in east Texas and Louisiana.

Tanner Okla. F.U.A. Pres.

Don J. Tanner, Boston and Old Colony, was elected president of Oklahoma Fire Underwriters Assn. at the annual meeting. C. H. Kiehlbauch, America Fore, was named vice-president, and John Benson, retired, was reelected secretary. New members of the executive committee are William L. Gould, Glens Falls; Jesse E. Murray, National Union, and H. S. Anderson, Phoenix of Hartford.

Dahn Named at Seattle

Fire Association has appointed Howard R. Dahn special agent for Washington with headquarters at Seattle. He succeeds Gene Harpur, who has entered the local agency business at Port Angeles, Wash.

Mr. Dahn started in the business in Olympia, Wash., and served in the navy during the war. Since his return he has been an agent and special agent. He takes over his new duties Jan. 15.

Home Advances McDermott

Home has advanced Edward F. McDermott, special agent in Topeka, Kan., to associate state agent in Kansas. He will be under the supervision of State Agent Curtman Maupin.

Mr. McDermott joined the company in 1919 as a clerk in the western department. In 1934 he was made examiner and in 1935 was promoted to special agent in Kansas.

Names Mebane in N. C.

American has appointed Cummins A. Mebane, Jr., special agent to cover the eastern North Carolina field. Mr. Mebane has served this territory for the past year, assisting Special Agent C. R. Macgill.

Mr. Mebane graduated from the University of North Carolina and joined American in 1939, after experience with Dixie Fire.

Brown La. Loss Chairman

Francis X. Brown, adjuster for Home at New Orleans, has been named chairman of the loss committee of Louisiana Fieldmen's Assn. Eugene W. Brown, North British & Mercantile, is vice-chairman for the New Orleans and Baton Rouge area.

Kitchen Tips for Seattle Geese

James D. Hull, special agent for Scottish Union, gave the Seattle Blue Goose pond members humorous shopping tips when he demonstrated novel kitchen and table gadgets at a dinner meeting. The semi-annual meeting will be held late in January or in February. To date six goslings have applied for admission and several more are expected to join the class.

The **Georgia Blue Goose** held forth this month with its largest dinner dance in history, 137 persons attending.

The New Year "stag" of the **Sunflower Blue Goose puddle** at Wichita is being held Dec. 27, with C. C. Crow, Underwriters Adjusting, in charge of arrangements.

The **Alamo Blue Goose,** San Antonio, made its customary gifts to the wielder and his secretary and discussed plans for the mid-winter swim. Out of town guests were Harold Grant, secretary of Phoenix of Hartford, and J. Charles Pearson, state agent of Fidelity & Guaranty.

CHICAGO

THOELECKE FORMS AGENCY

L. C. Thoelecke, after 23 years of rating bureau, insurance company and local agency experience, has now organized his own agency at Chicago, known as Great Lakes Agency, Inc. This is a class 1 agency for fire business and a general agency for casualty. Permanent headquarters will be at 911 Insurance Exchange, which will be occupied about Feb. 1 when remodeling is completed.

Mr. Thoelecke graduated in 1924 in fire protection engineering at Armour Institute, being a scholarship man, and then served his apprenticeship with the Nebraska Inspection Bureau.

Long with North America

In 1925 he went with North America, with which he had previously done part time work during his school days. He served as special agent, state agent and superintendent of agents in the central department at Omaha in 1933 when he was transferred to Chicago as field man in northern Illinois. From 1937 to 1944 he was with Norwich Union as manager for St. Louis and the Chicago area.

He is former chairman of Western Conference of Special Risk Underwriters and chairman of Western Sprinkler Leakage Conference. For the past three years Mr. Thoelecke has been a partner in the Waidner-Zweig agency of Chicago. He has an extensive insurance acquaintanceship throughout the country and among agents and brokers in the Chicago area.

JOHNSON HEADS ACCOUNTANTS

Oscar Johnson of General Transportation Casualty was elected president of the Chicago Insurance Accountants Assn. at the annual meeting. He succeeds Norman Hyne of Home. The other new officers are: Vice-presidents, John Williams, Accident & Casualty; Henning Salene, Employers Liability; Miss Anna Cate, Stewart, Keator, Kessberger & Lederer agency; secretary-treasurer, Miss Mabel Pottinger, A. J. Gallagher & Co.; assistant secretary-treasurer, Miss Helen Olson, Globe Indemnity The nominating committee was headed by E. E. Johnson, Osborn & Lange.

Directors elected include: S. W. Finger, Fred S. James & Co.; Frank Fitzpatrick, Home; Miss Mabel Marsden, Northern Assurance; M. A. McLendon, Chicago Board; J. E. Metcalf, Newhouse & Sayre; Byron Redman, Firemen's; Walter Satske, Springfield F. & M. The association is about 15 years old.

Putnam McDowell Named Boston Association Head

The Boston Accident & Health Assn. at its annual meeting elected Putnam McDowell, of Craftsman, president; Robert W. Pope, Employers group, first vice-president; Frank W. Holmes, Sr., H. C. Hawthorne & Co., second vice-president; Allan A. MacKinnon, Hooper-Holmes Bureau, secretary, and Philip F. Nelson, Massachusetts Bonding, treasurer.

The officers were installed by the retiring president, Harry C. Hawthorne. It was voted to invite Mike O'Sullivan, president American Farmers of Phoenix, Ariz., to speak at the January meeting. Harry C. Hawthorne was elected delegate to the national convention at Minneapolis in June. An interesting program of speakers was announced by President McDowell for the coming meetings.

Allen Becomes Town Manager

Lloyd K. Allen, field representative for Standard Accident in New England, has resigned to become town manager at Stonington, Me.

Mr. Allen started in the insurance business in 1937 with New England Mutual Life at Boston, and later with Employers Liability before joining Standard Accident.

E. U. A. OK's New Commission Setup

(CONTINUED FROM PAGE 1)

of doing business are a very important factor in determining fire insurance rate levels. Rates under the new statutory rating laws must not be excessive. If each member is faithful to its trust in serving the public, the agents and itself, it must see to it that acquisition costs are reasonable. In carrying out these principles, each company should not be afraid to fight for the rights of stockholders or the rights of agents, he declared. Rating laws, while they provide that rates must not be excessive, also provide that they shall not be inadequate. The insuring public and the agent are entitled to full consideration, but so is the stockholder entitled to a fair return on his investment in the insurance business. Without adequate rates, and without adequate underwriting profit, private investment capital in our business would disappear and that would be a calamitous blow to free enterprise.

Tribute to Three Retiring

Mr. Berry paid tribute to the long years of service of Messrs. Sly, Derby and Shaul.

All living past presidents except three attended the dinner. They were Ross McCain, Aetna Fire; J. K. Hooker, Automobile; Ronald R. Martin, Atlas; H. C. Conick, Royal-Liverpool, and Mr. Berry. R. P. Barbour, Northern; H. V. Smith, Home, and Esmond Ewing, Travelers, were unable to attend. Guests included H. F. Badger, executive secretary of Pacific Board; W. W. Sampson, manager of the Southeastern Underwriters Assn., and A. L. Kirkpatrick, manager of the insurance department of U. S. Chamber of Commerce.

The insurance business is engaged in the general "fight for men's minds," T. J. Ross of the public relations firm of Ivy Lee and T. J. Ross said in his talk at the dinner. Consequently, there is nothing more important for the chief executive of an insurance company than to interest himself and actively engage in that job.

Keeping People Informed

Public relations is an old practice, but consciousness of it and its organization as an active policy and function of management are new. It is a matter chiefly of keeping people informed, he said. To retain a continuing backlog of goodwill is impossible unless fire company officials are willing to spend the time, effort and expense to keep people continuously informed.

Many in the business were surprised and shocked to find that their good works through the years has not created reserves of favorable impressions sufficient to prevent attack on the business, he declared. The leaders had had the foresight to create good works but had neglected to make people sufficiently aware of them at the time and continuingly thereafter.

Business has to a large extent corrected this situation and has come to realize another function of public relations, self examination and openmindedness to constructive criticism, to new and better ways of doing things. As examples of the need for informing the public continuingly, Mr. Ross pointed to some naive notions about underwriting profits. He suggested that fire company executives think about what conditions they are likely to face after July 1, next year.

In his report for the public relations committee, Walter F. Beyer of Home called atention to the public relations manual for field men that has been prepared, called "A Planned Program for Making and Keeping Friends." This is an attractive and comprehensive review of the activities which field men can pursue in creating a favorable impression for the business. It is thorough, intelligent and helpful. Besides suggestions as to activities and how to go about them, it contains specific information on where to secure information, films, and assistance of various kinds.

For the past two years Mr. Duxbury has been vice-president of E.U.A. He has also served as chairman of the governing committee of Interstate Underwriters Board and chairman of the public relations committee of the National Board. He is a past president of National Automobile Underwriters Assn., and he is a member of the executive committee of the National Board, and a director of General Adjustment Bureau.

Mr. Duxbury is one of the younger and aggressive executives in the fire insurance business. He was appointed U. S. manager of North British just a year ago. All of his more than 36 years in the insurance business have been with the North British group.

The membership of E.U.A. adopted the revised commission program for excepted cities for guidance purpose only. This does not apply to New York and New York suburban, which are being taken up independently. The scale embraces 15% brokerage covering risks in Baltimore, Buffalo, Washington, Boston, Philadelphia and Philadelphia suburban and Allegheny county. Also 15% is the scale for non-policy writing agents.

Policy writing agents in those places would get 20%, or at the election of the agent—15-25%. The scale for metropolitan agents with principal offices within Baltimore, Boston, Washington, Philadelphia or Pittsburgh is 25% and 10% contingent. Such agents would get but 20% on business outside of their own cities. In Boston the metropolitan supervising agents would get 27½% on policies written by writing subagents.

Philadelphia suburban agents would receive 25% commission for the first year after the new scale is effectuated by a company, and thereafter would receive either 20% flat or 15-25 graded at the election of the agent.

Name Jacoby in Pa. Field

Manufacturers Casualty has appointed Walter Jacoby special agent in eastern Pennsylvania. Mr. Jacoby has been with American Casualty, and for two years was assistant agency director at the home office.

He is a graduate of Lehigh university. He started with General Accident at Harrisburg as manager and field representative and later became brokerage manager at New York.

Fitzsimmons at Peoria

George Fitsimmons, superintendent of agents of Continental Casualty's disability division, will address the Peoria Assn. of Accident & Health Underwriters Jan. 9 on "The General Outlook for the Accident and Health Business.". The Life Underwriters Assn. is being invited to cooperate in this meeting.

M. J. Scheemeacker of Standard Accident, who was killed in an automobile accident the other day, is the third successive president of Surety Assn. of Chicago who has not completed his term of office. First, H. J. Jeffery had to give up the presidency when he left the Loyalty group to become a broker with W. A. Alexander & Co. Ellis Schmidt, then of Fidelity & Deposit, was advanced from the vice-presidency to succeed him and was subsequently regularly elected. Then, a few months ago Mr. Schmidt left F. & D. to go with Continental Casualty on the coast, and Mr. Scheemeacker, who had been president, stepped into the top position and he was just elected for a full term at the annual meeting in November.

Am. Surety Ups Brightman

American Surety has designated Alan H. Brightman assistant manager of the court and miscellaneous department. Mr. Brightman joined the group in 1938 and has been in the court and miscellaneous department since 1939. He served in the army as a lieutenant colonel.

N. J. Club Meets in Newark

NEWARK — Casualty Underwriters Assn. of New Jersey will hold a luncheon meeting here Jan. 12 at which plans for 1948 activities will be discussed.

Donald Aleshire of Parker, Aleshire & Co., Chicago class 1 local agency, was taken Sunday to his home at Evanston, Ill., from Newark where he had been hospitalized for a month following a heart attack. He was stricken while visiting the head office of the Loyalty group.

United Benefit in Wichita

United Benefit Fire, new running mate of Mutual Benefit Health & Accident and United Benefit Life, has established Kansas offices at Wichita under the direction of W. J. Kroenert and has licensed 12 agents there.

New Liquefied Gas Booklet

An eighth booklet covering one of the phases of accident prevention in handling liquefied petroleum gases has been published by the National Conservation Bureau. The booklet, "Safe Storage, Transfer and Distribution of Liquefied Petroleum Gases," includes information on storage, liquid transfer, distribution and cylinders.

Copies are available at the bureau's offices, 60 John street, New York city.

Pearl McQueen, **Red Oak, Ia.,** local agent, has purchased the agency of Mrs. Claude Gore.

EDITORIAL COMMENT

The Reinsurance Edition

The final edition of the year of THE NATIONAL UNDERWRITER since 1929, has treated extensively questions existing in the professional fire and casualty reinsurance field.

This year, undoubtely more than ever, this material is of interest to the general insurance public, local agents and company men alike who customaily give little consideration to what is going on in the reinsurance world. Today reinsurance and reinsurers are prominently in the spotlight. It can almost be said that many Americans both inside and outside of the insurance business, have discovered reinsurance for the first time. Those that have been concerned or interested in the strange problem of lack of insurance capacity in certain respects have come upon reinsurance and some have professed to see in it some magic power to put every hot risk and every peak line that is in trouble today under cover.

What these "discoverers" of reinsurance fail to take into consideration is that reinsurance is just about as old as insurance and that it has been struggling along in an unromantic way for a good many years as handmaiden to insurance; that if a risk is distasteful as a direct piece of business it doesn't become a whit sweeter by being offered as liability to be assumed by a reinsurance company; that there is no great rush on the part of the investing public to place its funds in a direct insurance venture and there could be little to attract them to a reinsurance investment, in view of the fact that the reinsurance companies in this country for the past 10 years have had to rely entirely on investment earnings to squeeze out a plus sign.

The articles on reinsurance in this week's edition provide a highly illuminating look at the many reinsurance problems in this country and indeed throughout the world, and there is much interesting comment on the possibilities and obstacles for and against United States insurance and reinsurance companies becoming influential factors in the world reinsurance market. This is an intriguing line of speculation. For every theoretical pro there seems to be at least one con, not the least of which are the nationalistic barriers, including those of the United States, for, it seems obvious, if United States insurers are to get an important share of foreign business, there must be reciprocity and that would involve either many foreign insurers becoming regularly licensed in this country or else a removal of the restrictions that prohibit U. S. companies from taking credit in their annual statements for liabilities that are reinsured with non-admitted companies.

From a purely theoretical standpoint, the safest and best type of reinsurance is that in which the reinsurer has no liability than that which it gets by way of reinsurance, from a particular area or a country. If there were a free flow of reinsurance throughout the world it is quite possible that there would be no such thing as a market stringency in this country today, but it seems to be a forlorn hope that such a situation could come about. Apparently all that could be done is to seek to prevent nationalistic barriers from further multiplying and perhaps to get an easing of those here and there that are susceptible of being changed.

The best hope for real improvement in the reinsurance capacity in the United States seems to lie in the direction of the direct writing companies taking a constructive view towards the operations of reinsurance companies. As we have remarked in the past, in those days in which companies were hungry and greedy for business and the problem was one of keeping the expense ratio within bounds, direct writing companies reduced the diet of the reinsurers to slimmer, and slimmer proportions and some of the latter were forced to take steps that were almost equivalent to direct writing in order to sustain themselves on any kind of a level.

Hence the reinsurers were not permitted in those days to develop in size proportionately to the development of the direct writing companies and so when the tables turned and reinsurance facilities were in sharp demand, the reinsurance companies, even by stretching themselves as far as it was safe and expedient to go, could not provide the accommodations that were wanted. The reinsurers should be treated as a valued segment of the insurance economy and as facilities to be encouraged, and whose welfare is of real concern to the entire insurance business. We have in the United States several fine reinsurance companies. We wish that they were several times bigger than they are, but we hope that out of this period when their services have become more keenly appreciated that they can commence to move forward more rapidly to a higher plane and enjoy a more prosperous and more useful future.

PERSONAL SIDE OF THE BUSINESS

Will S. Thompson, dean of Hutchinson local insurance agents, is spending this Christmas season at Michigan City, Ind., with his daughter whose home is there.

Miss Patricia Holmes, daughter of Commissioner **John J. Holmes** of Montana, was married at Los Angeles to Glenn Poppaw. Commissioners Thompson of Oregon and Sullivan of Washington were guests at the wedding.

John F. Stafford, retired western manager of Sun, is confined to the hospital at Lake Wales, Fla., and according to present indications he will be hospitalized for another six weeks.

Jean A. Pope, local agent at Moline, Ill., and his wife were injured when a tire blew on their automobile, causing it to crash over a steep embankment. The couple were returning from a quail hunting trip and Mr. Pope suffered serious back injury and his wife received bruises. He is now in Moline City hospital where he will probably remain several months.

John R. Cooney, president of Firemen's, was presented souvenir insignia by the Boys Club of Newark for his work as chairman of the club house drive which has already raised $401,500 of its goal of $500,000 to construct a new boys club in the city.

George Morrissey, head of the Army engineer corps insurance division, gave a talk at a luncheon meeting at Washington, reactivating the national capital alumni chapter of Delta Tau Delta fraternity. He told of his recent trip to Europe on which insurance problems arising in connection with Greek rehabilitation program of this government were ironed out.

Melvin J. Miller, member of the executive committee of National Assn. of Insurance Agents and president of the Texas association, received the Fort Worth Chamber of Commerce award for outstanding civic efforts for 1947. He was cited for service to his community as president of the chamber and as a leader in other civic undertakings.

Robert L. Herzinger, Baraboo, Wis., local agent, prominent in the Wisconsin and Sauk County associations, has been elected to a fourth two-year term as a director of the Federal Home Loan Bank of Chicago.

Wm. G. Goldsmith, superintendent of engineering at Kansas City for Travelers Fire, and Mrs. Goldsmith announce the birth of a son, who has been named Timothy William.

E. F. Griffith, veteran assistant secretary of Royal-Liverpool at San Francisco, has been retired as of Nov. 30 in accordance with the companies' system.

Phil J. Braun, former president of Michigan Assn. of Insurance Agents, has been elected president of the newly incorporated Flint State Child Guidance Center.

L. R. Hanawalt, who is retiring as associate western manager of National Fire, is leaving by motor Dec. 31 for Vista, Cal., which is about 30 miles north of San Diego. He plans to reside in a motel apartment there for several months until he decides on a permanent location.

E. L. Williams, president of the Insurance Executives Assn., has sold his 46-foot yacht, and will spend next summer in Europe.

Herman L. Ekern, head of the Chicago law firm of Ekern, Meyers & Matthias, which handles insurance law cases, and president of Lutheran Brotherhood, Minneapolis fraternal society, spent his 75th birthday Dec. 27 at his home in Madison, Wis. Although much of his time is spent at the Chicago headquarters of his legal firm or at Minneapolis on affairs of the fraternal, he is particularly at home in Madison, where at one time he was Wisconsin insurance commissioner.

Clyde B. Smith, former president of National Assn. of Insurance Agents, is spending Christmas in St. Lawrence hospital, Lansing, Mich. He has a blood clot and he may have to undergo surgery later, so he is likely to be on the sick list for several months.

H. W. Huttenlocher of Pontiac, president Michigan Assn. of Insurance Agents, and his family are spending the holidays at New Orleans.

Peter S. Pierce, local agent, has been elected president of Battle Creek Exchange club.

DEATHS

Alfred D. Dowrie, who retired in 1945 as a partner of the New York City agency of Hall & Henshaw, died unexpectedly Tuesday morning at his home at Bronxville. His age was 69. He had been with Hall & Henshaw 40 years and had specialized in unusual Lloyds covers. Before that for a time he had been with New York Underwriters. His son, Joseph Dowrie, is manager of American Mutual Reinsurance of Chicago. There is also a daughter, Mrs. E. F. Phillips of Noroton, Conn.

W. Blakemore Wheeler, 62, Louisville local agent, died of a heart attack.

Mrs. George H. Bell, wife of the retired western manager of National Fire, died at North Shore Health Resort, Winnetka, Ill., where she had been confined for the past five years. She was the mother of four insurance sons, one of whom, Wallace Bell, who was state agent for Aetna Fire in New Jersey, died last year. The others are Fred Bell, state agent in Ohio for National Fire; Richard J. Bell, broker, with the Waidner, Zweig agency of Chicago, and Robert Bell, an automobile adjuster in the western department of National Fire.

Ernest A. Merkl, 56, general agent of the middle department of North British, died of a lingering illness at the Harding hospital, Elmhurst, L. I. Mr. Merkl started with the middle department 36 years ago. From 1921 to 1935 he was special agent for upper New York state and then was appointed general agent at the home office. Mr. Merkl recently completed two terms as president of the

THE NATIONAL UNDERWRITER

PUBLISHED EVERY THURSDAY

ABC

Published by THE NATIONAL UNDERWRITER CO., Chicago, Cincinnati, New York. PUBLICATION OFFICE, 175 W. Jackson Blvd., CHICAGO 4, ILL. Telephone Wabash 2704.

EDITORIAL DEPT.: *Managing Editor:* Levering Cartwright. *News Editor:* F. A. Post. *Associate Editors:* R. B. Mitchell, D. R. Schilling, J. C. O'Connor. *Assistant Editors:* Richard J. Thain, John C. Burridge.

OFFICERS: Howard J. Burridge, President. Louis H. Martin, Vice-President and Secretary. John Z. Herschede, Treasurer. 420 E. Fourth St., Cincinnati 2, Ohio.

BRANCH OFFICES IN KEY CITIES

ATLANTA 3, GA.—432 Hurt Bldg. Tel. Walnut 9801. Ernest E. Hess, Southeastern Manager.

BOSTON 11, MASS.—210 Lincoln St. Tel. Liberty 1402. Wm. A. Scanlon, Vice-Pres.

CHICAGO 4, ILL.—175 W. Jackson Blvd., Tel. Wabash 2704. O. E. Schwartz, Associate Manager. A. J. Wheeler, Special Representative. L. N. Yellowlees, Advertising Manager.

CINCINNATI 2, OHIO—420 E. Fourth St. Tel. Parkway 2140. George C. Roeding, Associate Manager; George E. Wohlgemuth, News Editor; Arthur W. Riggs, Statistician.

DALLAS 1, TEXAS — 802 Wilson Bldg., Tel. Central 5833. Fred B. Humphrey, Southwestern Manager.

DES MOINES 12, IOWA—3333 Grand Ave., Tel. 7-4677. R. J. Chapman, Resident Manager.

DETROIT 26, MICH. — 219 Transportation Bldg. Tel. Cherry 2826. A. J. Edwards, Resident Manager.

KANSAS CITY 6, MO.—605 Columbia Bank Bldg., Tel. Victor 9157. William J. Gessing, Resident Manager.

MINNEAPOLIS 2, MINN.—558 Northwestern Bank Bldg. Tel. Main 5417. R. W. Landstrom, Resident Manager.

NEW YORK 7, N. Y.—99 John St., Room 1103, Tel. Beekman 3-3958. **Editorial Dept.**—Eastern Editor: Kenneth O. Force; Assistant Editors: Harry T. Jones and Donald J. Reap. **Business Dept.** — Ralph E. Richman, Vice-Pres.; J. T. Curtin and W. J. Smyth, Resident Managers.

PHILADELPHIA 9, PA.—123 S. Broad Street. Room 1127. Tel. Pennypacker 5-3706. E. H. Fredrikson, Resident Manager.

SAN FRANCISCO 4, CAL.—507 Flatiron Bldg., Tel. EXbrook 2-3054. F. W. Bland, Pacific Coast Manager. Guy C. Macdonald, Pacific Coast Editor.

Norbrit Guards, the 25-year company organization and was a past president of the Ex-Fieldmen's Assn. of New York.

The body of **Horace M. Thorne,** who was with Home before induction into the army, was returned from Europe last week for burial at Red Bank, N. J. Mr. Thorne was a sergeant and was awarded the Congressional Medal of honor for heroism in action.

Ernest A. Bramwell, 69, died at his home at Kansas City after an illness of several years. He was in the insurance business there for a number of years and formerly was a partner in the Anderson-Bramwell agency.

Mrs. Robert S. Greer, whose husband is a general agent at Jackson, Miss., and is president of Mississippi Fieldmen's Assn., died very suddenly.

Mrs. Greer had been closely associated with her husband in the insurance business for a number of years. She was a native of Oklahoma and a graduate of University of Michigan.

Mr. and Mrs. Greer resided at Birmingham, Ala., and Orlando, Fla., prior to returning to Jackson to establish their general agency.

Thomas H. Cobb, 70, local agent at Birmingham, Mich., Detroit suburb, died from a heart attack.

Frank E. Lauterbach, 77, Columbus, last surviving partner in the Lauterbach & Eilber local agency at Columbus, died Monday after a year's illness. He had been in the business 60 years prior to his retirement a year ago. He was director emeritus of Scottish Rite Choir at Columbus. His two sons, Arthur and Willard Lauterbach, are members of the agency.

Floyd Hulse, 61, veteran local agent of Colfax, Ia., died in a Des Moines hospital following a long illness.

Lewis E. Fisher, 75, president of the Rutledge agency, Asheville, N. C., died following a heart attack.

Charles M. Fisk, 73, local agent at Lawrence, Mich., for many years, died in a hospital at Paw Paw from injuries suffered in a traffic accident Thanksgiving eve. His wife suffered a collar bone fracture in the same accident.

Charles I. Buckman, Los Angeles broker, who had been with Hinchman, Rolph & Landis more than 20 years, dropped dead while on his way to his office.

Frank N. Allgeier, 79, solicitor with the Trueheart & Timberlake agency, died at his home in Louisville.

Arthur T. Byron, 76, of the Byron Brothers agency, Owingsville, Ky., died at his winter home in Sebring, Fla. Mr. Byron was former mayor of Owingsville. He had virtually retired from active business.

First Notice of Crash Is from Plaintiff 47 Days Later, But Insurer Bound

Despite the fact that the first notice the insurer had of an accident was 47 days afterward, and this in the form of a notice from the plaintiff's attorney, the Michigan supreme court gave judgment for the plaintiff in Kennedy vs. Dashner and Preferred Automobile as garnishee defendant.

Louis V. Kennedy was struck June 22, 1945, in Grand Rapids by a car owned by John Dashner, driven by his son, Kenneth. The latter was subsequently found guilty of leaving the scene of an accident and sent to prison.

On Aug. 8, Kennedy's attorney notified Preferred of the accident and suggested discussing a possible settlement. Preferred replied that it had no report of the accident and it did not receive such a report until Aug. 31.

Preferred defended the suit against Dashner after notifying him that it was assuming no liability. Dashner failed to appear at the trial and Kennedy got a $5,000 verdict.

According to the supreme court, the record does not indicate that Dashner could have been of any assistance at the trial if he had been present. He was not an occupant of the car. Preferred argued that Dashner's failure to disclose the whereabouts of Kenneth, and his failure to grant permission to interview him in prison, breached the contract. However the court said that Kenneth's whereabouts was known to Preferred prior to the trial and his deposition could have been taken or he could have been produced as a witness upon proper showing to the trial court.

Furthermore, the trial court found that Preferred had notice sufficiently in compliance with the terms of the policy and that after such notice, Preferred appealed and defended the principal case.

Unloading Clause Decision

A decision on an issue involving the loading and unloading clause went against St. Paul Mercury Indemnity in U. S. circuit court of appeals for the fifth circuit. The case was St. Paul Mercury vs. Crow, et al. An employe of the assured had driven an oil truck to a sawmill plant to deliver fuel oil. The delivery was made by using a 5-gallon can and funnel and the oil was poured into the power unit of the plant. The unit was filled to overflowing, the fuel oil ran out, as a result of which the oil was ignited and the sawmill plant burned, causing a loss of $5,000. The sawmill recovered a judgment in that amount from St. Paul's assured. The court stated that the insurer's contention that the unloading of the truck had been completed at the time of the fire is not borne out by the evidence.

Standard Accident Changes

Fred Schroeder has been named field representative in suburban Chicago for Standard Accident. From 1927 to 1934 Mr. Schroeder was with the Continental Casualty as payroll auditor and underwriter. He went with Standard in 1943 as underwriter and has had safety engineering experience.

Ray Ward is now field representative for central Illinois. He joined Standard Accident in 1939 as an adjuster. Previous to that he was an adjuster with Employers group. After service in the army he returned to Standard in 1944 and has been serving central Illinois since 1946.

Dettleback Safety Chief

Robert S. Elberty has retired as manager of the engineering and safety division of the eastern department of Fireman's Fund Indemnity. He will be succeeded by George Dettleback who has been assistant manager the past year and with the company since 1937.

Jacobs Heads Am. Mutual Alliance

Carl N. Jacobs, president of Hardware Mutual Casualty, was elected president of American Mutual Alliance at a meeting of the membership at Chicago. Mr. Jacobs is an insurance director of U. S. Chamber of Commerce.


Carl N. Jacobs

Named as vice-presidents were L. G. Purmort, president Central Manufacturers Mutual, and Charles E. Hodges, president American Mutual Liability.

Directors elected are S. Bruce Black, Liberty Mutual; L. D. Brill, Northwestern Mutual Fire; H. J. Hagge, Employers Mutual Liability; Eliot R. Howard, Middlesex Mutual Fire; James S. Kemper, Lumbermens Mutual Casualty; C. R. McCotter, Grain Dealers National Mutual Fire; H. J. Pelstring, Pennsylvania Lumbermens Mutual, and John L. Train, Utica Mutual.

Employers Promotes Reese at San Francisco

T. Arthur Reese, now chief underwriter for Employers Liability in the coast department, is promoted to assistant resident manager under William Wittkoff.


T. ARTHUR REESE

Mr. Reese joined Employers in 1933 as an underwriter at Kansas City. In 198 he took a similar position with R. B. Jones & Son. He went with Ohio Casualty in 1943, and in November of that year again joined Employers as chief underwriter at San Francisco.

Fred J. Crisp, veteran San Francisco surety executive, who has been in the business since 1906 and with Fireman's Fund Indemnity since 1934, is to be honored by his associates in the organization at a luncheon Dec. 29. He is to retire from the company Jan. 1 but will remain in the business as a member of the Paul M. Nippert Co., surety brokerage firm.

Mr. Crisp was with the old National Surety until it was reorganized, then joined Century Indemnity and later Fireman's Fund. Fred J. Butcher, vice-president in charge of the surety department, will preside at the luncheon, which will be attended by company executives.

Excess has declared a dividend of 10c a share payable Jan. 10, to stock of record Jan. 5.

Thumping Increase Features a Record Casualty Reinsurance Year

A 30% increase in the casualty reinsurance premiums for 1947 as compared with last year is regarded as a conservative estimate. Coming as it does on top of a record year 1946, this makes 1947 by all odds the biggest for premium volume. The record may stand for a long time to come, since most of the casualty reinsurers expect in 1948 considerable slowing up in the speed with which premiums have been growing, at least by the end of the year.

Yet volume has not been the problem with the casualty reinsurers that it has with the fire reinsurance market, and at year end the casualty reinsurers were out scrapping for good business. In addition, the reinsurers were giving substantial assistance to the direct writers who needed relief from the pressure of business by quota writing.

Demand for Higher Limits

One of the important developments of the past two years which became more sharply apparent in 1947 because of catastrophes is the demand for higher limits with a greater proportion of those limits going to the reinsurer. Here, partcularly in the boiler and machinery field, the reinsurers want the direct writers to retain substantially larger net lines. There have been some more losses in the boiler and machinery field which have hit the reinsurers, and the market for that business has tightened more than ever.

The Texas City experience on workmen's compensation has led to an increase in rates in that field. The severity of losses has been notable this year, and the casualty reinsurers are beginning to experience a higher frequency as inflation jacked up the loss floor and increased jury verdicts.

The casualty reinsurers this year have written a small but appreciable volume of fire reinsurance business. Mostly, they have been getting their feet wet and intend to proceed cautiously until they learn how to handle the business.

Making a Start

The fact that the casualty people have written some fire reinsurance is only one of several items of evidence of their much better financial position as compared with the fire reinsurers, who have been far too hard pressed by volume to do anything of consequence in the casualty reinsurance field. As time goes on this cross writing will assume larger proportions and be of more consequence to the market.

The demand for higher limits in the casualty field is the number one problem of the reinsurers. Three years ago the offer of a $1 million line was unusual. Today from $3 million to $5 million is not uncommon in public liability and boiler and machinery.

This is the only point where the reinsurers have a capacity problem. With each catastrophe on liability, the demand for higher limits has increased. The direct writing companies have continued pretty generally on their old limits of retention, which throws the problem more and more on the reinsurers.

Low Ceiling for Direct Writers

The situation was aggravated when the National Bureau of Casualty Underwriters in its general liability manual revision in mid-year set a limit of $500,000 for the direct writers. This shoved more higher limits into the reinsurance market and passed along to the reinsurers the problem of rates in the higher reaches.

It is difficult to charge more for the $500,000 over $1 million than for the $500,000 below $1 million, it is pointed out, but the casualty reinsurers have had to do it. There is a limit to the amount of risk that they can assume and when that limit is reached they have to go out and buy reinsurance, which is costly. Some of the premiums offered for high limits appear ridiculous. For example, there was a group of several theaters on which an effort was made to purchase an additional $500,000 over $2½ million. The premium offered was $42.

EFFECT OF INFLATION

The excess losses in the liability lines have been influenced sharply by the inflationary spiral, and the effect here has been much greater than is generally assumed. The per case cost has gone up much more than the Bureau of Labor Statistics standard of living index.

It is not simply that a case that cost $1,000 ten years ago today costs $2,000, although this has happened. Reinsurance treaties are written so that the reinsurers pay all losses over a certain amount, $10,000, say. The reinsurers do not have too much difficulty with a case that cost $15,000 five years ago and now costs $25,000. But their problem arises from the vastly increased number of cases that formerly were paid entirely by the primary insurer and that today because of the higher dollar level passed the net retention mark and are deposited on the reinsurer's doorstep. For example, a direct writer may have paid ten $8,000 cases five years ago. Today all of those cases get into the reinsurer's hands because their average cost is well above $10,000. One reinsurer reports that its loss ratio has increased three times what it was. The contention of reinsurers is that the higher level of losses bites into the reinsurers far beyond what their proportionate share of the premium justifies. Consequently casualty reinsurers have had to ask for materially higher rates. This has added another burden to the direct writing company, which already is faced with a plentiful supply of problems.

Demand in W. C. Field

There is a continuing pressure in the market for a higher retention by the primary insurer of workmen's compensation risks. Not infrequently today companies are having to put up reserves of $50,000 on a single accident because of the liberalization of benefits, the indefinite time in which these benefits are to be paid and the lack of ceiling on medical costs. Individual losses can run and have run to as high as $100,000. Companies used to think of that as a catastrophe figure.

As a result, when a company wants compensation excess cover today and the primary company is only retaining $5,000 or $10,000 of the liability, the reinsurer is apt to turn down the business. He feels the direct writer's retention should go up with the level of losses.

While this trend toward liberalization in W. C. benefits is one of long standing, the inflationary pressure has added to the upward spiral. In addition, the Texas City workmen's compensation loss was a real jolt to the casualty reinsurers, and will certainly lead to higher reinsurance rates for the line. Reinsurers have visions of the extent of that kind of catastrophe if it occurred in New York city. Someone has estimated that there is $40 billion of economic value, in people and property, below 50th street in New York, and of course the explosion that occurred in Texas City might well have taken place in the Hudson or East River.

The casualty reinsurance market recognizes that the high liability limits have ceased to be simply an extra measure of safety for the insured. There have been some real catastrophe losses, enough of them in the last couple of years or so to make it clear that the reinsurer is not in all cases far enough away from the limits retained by the ceding company to be uniformly safe. But the real difficulty is that the money involved in premium in the higher limits is meagre, whereas the loss, when it comes, involves a lot of real money.

The Texas City explosion, the Los Angeles explosion, the Scott Paper Towel Co. loss are just a few of the catastrophes that have occurred. There have been a couple of dandy products liability losses. One involved a food processor who got some of his raw materials in railroad cars that previously had carried weed killer. The firm is a reputable one but apparently did not make standard checks, even though the raw material was not secured in the usual way. The limits are exceptionally high, on both liability and property damage, and the reinsurers will feel the blow. There have been others, perhaps less spectacular, but nevertheless punishing.

Big Bargain

Formerly the manual excess table for direct writers, set by the National Bureau of Casualty Underwriters, was the jumping off place, the starting point for the making of rates in the casualty reinsurance field. However, for a long time the reinsurers have relied upon the use of a flat rate based on four or five years of the experience of the ceding company. The inflationary trend has made the manual excess table one of the biggest bargain counters in the business today.

In addition to inflation, there is also the increasing number of erratic jury verdicts, the big ones that do not seem to be justified on the basis of logic. These have been so big that they have thrown off calculations on which rates are based. The jury verdicts are regarded as a reflection of today's general mood.

The casualty reinsurers believe that if the inflationary spiral levels off, the increased rate level will prove to be adequate. If there is another upward spiral, the reinsurers will have to chase it.

BOILER & MACHINERY

The boiler and machinery business has been a sad line for reinsurers the past two years. There have been a few big losses in 1947 that were costly to the reinsurers, but the real sour note was the Scott Paper Towel Co. machinery use and occupancy loss. In November this stood reserved at $3,430,000. The final payment will be less, but it still is a whopper which the reinsurers will remember for years to come.

In spite of this experience, it is interesting to note that the direct writers of boiler and machinery business are out after customers and are cultivating the field vigorously. The reinsurers think they have the answer in the fact that the direct writers do not retain enough of the liability. Yet the limits taken by insured have climbed higher and higher. This has sent the reinsurer after more reinsurance and of course London Lloyds has been the chief market. As a result, London Lloyds is said to have more boiler and machinery liability insurance in the American market than anyone else. Even though the reinsurers operate at a considerable distance from the danger point, there isn't enough money to pay for the big losses. Too many of them have occurred.

No reinsurer will take B. & M. when presented by itself, but only if other business goes along with it. The Scott Paper Towel Co. loss showed what can happen. They feel that there is not enough premiums to justify the risk, and they are going to have to get money to pay losses from some other source.

The attitude of reinsurers at present hints at the possibility that the B. & M. market is going to continue to be tight until the direct writers increase their retention.

QUOTA BUSINESS

A considerable amount of quota writing is being done by casualty reinsurers to accommodate direct writers who are over-extended on premiums and need reserve relief. Under this arrangement the reinsurer shares a certain percentage both of premium and of loss from the first dollar. The one exception to this is automobile on which the companies have adopted a sliding scale to assure themselves a modest profit. This was done because of the loss situation in the automobile business.

The big volume of quota business is a peculiarity of the times. The reinsurers are helping out their customers. It is not normal business. Ordinarily the direct writer cannot afford quota reinsurance. It costs too much. But this year he has had to have relief in the emergency.

The chief worry of reinsurers on quota writings is taxes. Having extended themselves in writing more business than ever before, reinsurers' underwriting is going to be in the red anyway. They believe that by next year, with a slower acceleration in business, it would be dangerous to have a lot of abnormal business running off the books and going into the profit column. This would create an unhealthy tax liability. Consequently, much quota business is being written on the understanding that the reinsurer will get so much this year, somewhat less next year, and less the following year so that in about four years the abnormal business will be washed out. Done gradually in this way should avoid the danger of getting hit heavily by taxes.

Can't Suffer Taxes Twice

It is accommodation business, and the reinsurers have to finance it. They take money out of assets, money on which the taxes have been paid once, and put it back into the mill. They can't afford to pay taxes on it again, not taxes of any great amount.

If reinsurers were permitted to put up reserves net, that is, less commission, there would not be this danger of double taxation, and some effort is being made to correct this situation. Many of the reinsurers have had their tax experts prepare tables which would serve as a guide in determining just how far the reinsurer can go. Any potential tax liability that is assumed must be reflected in the reinsurer's charges to the direct writer.

Reinsurers say that the New York requirements on the reserves of reinsurers unduly restricts their writing capacity. This ruling calls for the setting up of excessive reserves in view of the fact that the commission equity is always intact that is retained by the reinsuring company. This is not always true of the direct insurer, and evidently the practice of the department is based more upon accounting procedure of the direct writing company than upon the specialized procedure of the reinsurer.

Casualty reinsurers like the suggestions for big reinsurance funds about as little as the fire people do. In the casualty field, the market has been and still is fairly adequate for desirable busi-

(CONTINUED ON PAGE 30)

Fire Reinsurers Gorged by Year End

Anticipate Letup in 1948, Hope for More Fat Years

By KENNETH FORCE

The fire reinsurers have been operating on a full tide in 1947. It is by long odds the biggest reinsurance year and put 1946 into the shade. Although the record volume has presented some problems to the reinsurers, the lean years in which the reinsurers suffered from malnutrition are not so far away that too much business isn't still a pleasant sensation.

No one expects the increase in premium writings to continue at the 1947 pace. Reinsurance men believe that fire business will level off substantially next year, unless the national economy gets another round of inflation.

Reinsurers Not Gloating

The reinsurers don't like to turn down business offered by the direct writing companies, and they have had to do a good deal of this in 1947. But reinsurers aren't gloating over the full table they now have set before them. On the contrary, they are very sympathetic with the problems of the direct writers. These are their customers and friends, and the prosperity of the reinsurer is wholly dependent on that of the direct writer. As a matter of fact, one of the engaging characteristics of the reinsurer is his understanding of the position of his customers, his sympathy with their problems, and his restraint now that he has the chance of making a profit out of the business.

At a time when the reinsurers can pick and choose their business as they please, they are accommodating as much business as possible and are paying for it about what it is worth. It is true that they are renegotiating some treaties that have long been on the unprofitable side, but they do not expect, nor do they want to make a big profit out of present abnormal conditions which are making things so difficult for the direct writers. The reinsurers work on a long time base and they would like to make a modest profit over many years rather than an immodest one for a short time.

Market Practically Closed

By the end of the year the reinsurance market had almost completely shut down. Only a handful of companies, possibly as few as two or three, were still taking new business. One reinsurer observed that never before in its history had there been so much business written in the reinsurance market as in 1947, and there never had existed more opportunity to make a profit in the market—providing you had the money to put up. As a matter of fact, finance companies that control insurers have been providing additional funds in order to take aboard some of the reinsurance business on guaranteed profit contracts. Reinsurance intermediaries mostly stood by during the year, devoting their time to servicing old accounts.

Year end portfolio assumption by fire reinsurers, so far as could be learned, was nil. Anyone who waited much later than July 1 to make an arrangement of this kind, found himself out in the cold. Reinsurers had waiting lists for months. Direct writers that knew the score were trying to make these deals early in the year because they could see what was coming—much earlier than in normal times. Obviously there is a considerable chunk of portfolio business in the reinsurance files, but the reinsurers did a tremendous amount of resisting, and what was done was done on the basis of past favors and future promises, for old customers or for good new accounts.

Portfolios with Direct Writers

There has been this year quite a bit of portfolio placement with direct writers, wherever a direct writer could be found who hadn't used up all of his reserves. In spite of the way the market has been for two or three years, there were a few such companies. Apparently most of this business was written on a guaranteed profit basis.

Much of the portfolio business taken by reinsurers was guaranteed profit contracts. This is pretty much a banking operation and reinsurers don't care much for it. It was one of the expedients to which the business resorted because of the flood of premiums.

Reinsurers don't like portfolio assumption in any form as a regular practice and some declined all of it this year. The reasons are that it gives the reinsurer a tax problem, and it is not a realistic way for the direct writing company to meet its problem.

Have to Watch Year Ahead

When a reinsurer assumes a $100,000 portfolio for a direct writer, it creates an underwriting loss. However, this is balanced by the underwriting profit that he will make the following year as the business runs off. This year most reinsurers will have an underwriting loss because of the sharp rise in premium volume and consequently don't need any credit of that kind. Next year, many of them feel that business may level off—and they might not have enough of an underwriting loss to offset the payment of the tax.

More important, however, they believe that the direct company pays too much for the privilege of getting the reinsurer to assume a portfolio, and that it won't be in any better shape next year. As a matter of fact, it could be in worse shape as to reserve position. Also, such contracts are subject to cancellation, and if they were cancelled at an inopportune time, the direct writer would be worse off than if he had faced the problem realistically at the outset. The advice of the reinsurer is that he might as well now go get the additional money he needs.

Action on Financing

The reinsurers' judgment as to what the market will be in 1948 has also influenced their decisions with respect to securing additional financing. Some of the reinsurers have added to their capital. However, they have by no means attempted to get enough money to write all of the business available, simply because it is of a temporary nature. There is no point in going through the difficulties and expense of getting more money to accommodate portfolio and other business that won't gravitate to the reinsurers for more than two or three years. This would simply subject the fresh money to taxation. A profit, if any, would be only for a year or two.

The direct writing companies for many years through their reciprocal treaties starved the fire reinsurance market so that when the big push came that market was too small to accommodate the needs of the business. Consequently, today, there are a lot of new fire reinsurance treaties being made. The reinsurers believe, and the direct writers agree with them today, that it is a good thing for the fire business as a whole to develop a strong reinsurance market. The question is whether, when volume levels off or declines, the direct writers will go back to reciprocal treaties? If they do, what will the reinsurers do?

Stake of Smaller Companies

The big direct writers always have been able to take care of themselves. It is of the smaller companies that the reinsurers are thinking. For them it is the better part of wisdom to nurse the reinsurers along so that they can put some fat on their bones. They have starved the fire reinsurance market so long that the fire reinsurers cannot in the present emergency, go to the public for additional capital. They've had to get capital from some other source, if at all.

The result has been a reflection on the reinsurance market to which it is not entitled. There has been dumping of contracts, and they come knocking at the reinsurer's door. The reinsurers have been unable to accommodate all of the orphan volume. Yet they are not altogether to blame for the situation. They are all writing more than they have ever written before and stretching their money to the limit.

One official has a lot of contracts knocking at the door to get out of the rain. But, he said, the reinsurers should have had that business for years. They should have been living with the account while it was good, building it up, and now they could take care of it. But the direct writing companies want them to take it at a time when the experience is poor and the volume is terrific.

One reinsurer indicated that in the past six years he had to cancel several contracts because they were slightly in the red. He offered to rewrite them on a basis that would put them just over the line into the black and go along with them on that basis. However, the direct writers refused. Today those contracts are coming back to the reinsurers at unbelievably better terms.

SLIDING SCALE

In the last two years there has been a big swing to the use of a sliding scale on commissions in the reinsurance field. The reinsurer in the past has been paying the ceding company a previously agreed upon flat commission and adding a modest profit sharing agreement. The objection to this arrangement was that the individual treaty invariably proved a little too profitable or unprofitable for one of the parties. This led to considerable adjustment at year end.

Whoever originated the idea of a sliding scale of commission, it has done away with such frequent year end negotiations. It is estimated that in the fire field, about 80% or more of the accounts are now on a sliding scale basis. The real trend toward the sliding scale began in earnest about four

(CONTINUED ON PAGE 29)

Does Reinsurance Need More Capital?

LOOK AT THE RECORD GIVES SMALL ENCOURAGEMENT TO INVESTOR

By W. J. LANGLER, President of Northeastern

For those who cherished the idea that reinsurance was a side issue of insurance, the past year or two must have been disillusioning, for once again the indispensable function of reinsurance has forced attention upon itself through the simple fact that the absence of sufficient reinsurance capacity had demonstrated that the wheels of insurance were being slowed up by lack of it.

The trade papers contain comments about the need for a billion dollar reinsurance company to provide the means for insurance companies to supply the public with the protection it demands. Facultative reinsurance between direct writing companies has slowed down to a halt, in more than one case the contracting parties turning back the business already on the books of this kind to the ceding source. Reciprocal treaty arrangements, the bane of all professional reinsurers, have lost their appeal on one side or the other, and the business is once more available to the companies who specialize in reinsurance, but unhappily they are too often crowded beyond their capacity and unable to take advantage of the opportunity presented.

Little Encouragement

It does seem a fact that the reinsurance business lacks the necessary financial backing to seize upon occasions like the present, but on the other hand, small encouragement is present or to be found in the experience of the past few years from an underwriting standpoint. Take any reinsurer, American or U. S. branch of a foreign company, and list off its 10 years experience prior to 1946, and you get an earned premium loss ratio plus expenses to written of over 100%. Very few did better in 1946, and with the calamitous happenings in 1947, small prospect remains for any profit this year.

For several years prior to 1946 there was no particular volume of business available and most reinsurers could have taken more, although it is true that the war years made it difficult for the U. S. branches and took their toll in 1942 of those domestic companies, like our own, which wrote customarily a modest volume of marine business and which was swollen abnormally by the war risk writings and which brought both direct company and reinsurer a disastrous experience for a while, as a result of the submarine sinkings on this side.

First Break in Many Years

Fortunately, the current period of "feast" as opposed to the usual diet of "famine" experienced by reinsurers is giving the latter the first break they have had for years by awakening their ceding companies to the necessity of taking steps to create a better prospect for profit than has existed for a number of years, and it must be conceded that in some cases voluntary action on the companies' part demonstrates a generous spirit of recognition of past unhappy experiences and a desire to ease the burden which the reinsurers have carried.

In other cases, there is no such volumtary recognition and the reinsurer has to get it the hard way—virtually the disagreeable and mutually undesirable "either or". In any event, we should suppose that the majority of the reinsurers would concede that, by goodwill and genuine desire to meet existing conditions, considerable improvement in the basic terms and provisions of many agreements has been accomplished, and with more selective writing at the source and more discrimination in treaty cessions, a better foundation for ultimate profit has been established. This amelioration of conditions is long overdue, for it could be amply demonstrated that the reinsurers had borne the burden and heat of the day beyond a point where the average of give and take might be expected to leave a company.

Higher Expenses

Associated with high loss ratios and burdensome commissions have come higher operating expenses, and while a reinsurer expects these to be substantially lower than a direct company, the fact remains that there are certain minimum corporate expenses, clerical operations, statistical expenses, taxes, etc., that cannot be avoided. Then, too, there is almost always a sizable sum of money expended for catastrophe covers of various types, and nobody needs to be told that the occurrences of recent years haven't made the cost any lower. With the reports of business getting more and more into the tabular form, the loss statistics and reports grow in importance, for it is only in those reports a reinsurer can get an inkling of what is happening when the loss ratio starts to mount.

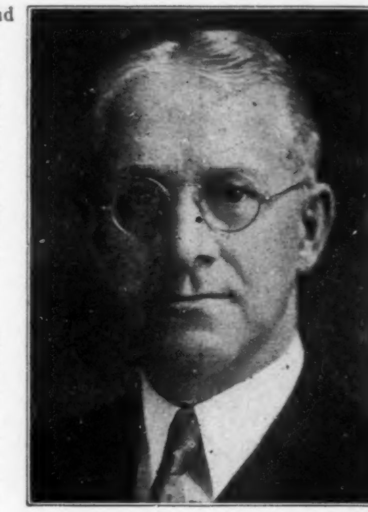
As a matter of fact, the writer is beginning to wonder whether the tabular reports of premiums and return premiums aren't getting too near the lozenge state and that we are getting to know less and less about more and more. Analysis is virtually out of the question, and whether the trouble lies East, West, South, North or Pacific, or in Brokerage is something to conjecture from the meagre loss reports.

Reinsurer Could Help

To the writer, it seem unfortunate, for the reinsurer could help if given an opportunity, and more than one direct executive appears to lack a knowledge of his true treaty experience. The tabular system also provides the opportunity for abuse, as well as use, of reinsurance, and most reinsurers can quote chapter and verse of unhappy experiences with tabular accounts and misguided underwriters. Relatively recently one such party voiced the point of view that it was no part of the reinsurer's business to concern himself with the cessions made to a treaty, the results were the things that counted. His reinsurers have convinced him that the latter is true with substantial commission reductions to make sure his education wasn't continued at their expense.

To get back to that billion dollar reinsurance company. Unless the idea is to supplant Lloyds, it is hard to see how such a company could live in normal times. All of the professional reinsurance companies and U. S. branches combined in 10 years to Dec. 31, 1945, wrote approximately $360 million in premiums. Taking one-tenth for an average year's income, and it is clear that a mammoth company would languish for business. Furthermore, the writer is not convinced that the majority of executives want to replace Lloyds, and many think that catastrophe covers are better protected in another country than that in which a calamity occurs, thus avoiding a boomerang of a loss, as it were, instead of relief from the excessive burden.

A billion dollar company, to exist, would involve inter-company relations of a kind that would mean the disclosure of material underwriting data that many leading companies would prefer to keep



W. J. LANGLER

confidential, and in this respect, Lloyds serves very well. Nevetheless, the writer agrees that the reinsurance business is undercapitalized, but to overcome that, it would need proof that further investment would be worthwhile and profitable, for there is small purpose in providing a Cadillac where a Ford would serve equally well and cost less to operate, an indispensable consideration for a professional reinsurer past, present and future.

Survives By Investment Earnings

For some reason or other it seems to be commonly held that the reinsurer's chance of a profit should be distinctly restricted, apparently by reason of the fact that it has not produced the business that turned out to be profitable due to the sound underwriting judgment of the ceding company. Although you will constantly hear it said that the latter desires the account to be profitable, it is customary to find all sorts of "hedging" coming into play to get away from the reinsurer the larger portion of the margin of possible profit regardless of the proven fact that, over a term of recent years, virtually no reinsurer has made a dollar out of the business, and survives by its investment earnings.

Expectation of Profit

Every reinsurer has unprofitable accounts with which it has persevered for years, in the hope of better things, with small opportunity of ever being able to recover the losses sustained in the years of adverse experience. Some ceding companies, to their credit, are willing to assume a fair share of the risk and let the commission reflect the experience, with a margin allowed for expenses and catastrophe covers. Unfortunately, this readiness to share equitably the fortunes of the reinsurer, up or down, is not so pronounced as to be uniform, as any reinsurer can testify, and yet it must be obvious to anybody that a pre-requsite for any corporation involving invested capital is a reasonable expectation of profit. Likewise, any business venture requires a mutuality of benefit, and that is what reinsurance has not had for years.

As the late Al Smith used to say, "Let's look at the record," and you can find that in any standard chart of the last 10 years' operations. If more money is to be put into reinsurance, something should be done to merit the commitment, for at the present time there is nothing to warrant it on the basis of the experience for the past several years.

IN TERNATIONAL REINSURANCE FROM BRITISH VIEWPOINT

Market Developments Are Traced

By W. JUUL, Foreign Editor, The Review, London

The British people are tackling cheerfully and with determination their task of rebuilding Great Britain after a second and in some respects even more devastating war. Coal production is rising, although we are still well behind the ultimate target of a substantial export surplus to help Europe getting on its feet again. The steel industry is surpassing itself, the motor car and a number of other export trades are booming and there has on the whole been considerably less social unrest than after the first world war.

The drawbacks are an insufficient supply of new machinery in more than one important industry, the general need for renewal of wornout plants and vehicles and a shortage of man-power, partly owing to the country's greater international commitments and partly owing to the increased demand for utility goods created by a social policy planned to raise the standard of living. Above all, the all-out effort of the British Commonwealth of Nations during the war has cost the country half its foreign investments so that we have now to export a far greater volume of goods to pay for essential imports than was required before the war. The widespread destruction in Europe and in the East has, too, created a situation in which Great Britain, even if it balances its foreign trade by 1951, and even though the Marshall plan may save Western Europe, will still be faced with a dollar deficit running into some hundreds of millions per annum.

Political Parties Agree

That is some indication of the magnitude of the problem which faces the country and which it may be observed is fully realized by the major political parties, however much they disagree between themselves about the best means to come through.

British insurance and reinsurance as such has no party political affiliations. We are conscious of the fact that, as Sir Arthur Morgan, general manager of London Assurance, said not so very long ago, probably none of our foreign competitors would grudge us the claim to be the greatest insurance and reinsurance market in the world. There has been no change in that respect in the past year. On the contrary the demand for British security is ever-growing so much so that our professional reinsurers have been able successfully to resist some of the more excessive demands for reciprocity by pointing to the fact that they are providing that sterling commodity British security. The suspension of convertibility of sterling does not apply to British insurance and reinsurance which is today as it has always been in the past, able and willing to settle claims in any part of the world and in any currency that may be required.

Inflation Spiral

In this country we have possibly a rather more suppressed inflation than in the United States but all the same the end of the spiral is not in sight yet in this country either. We are naturally watching the situation that is developing in the United States very closely although we have no desire to interfere in what is after all a domestic American issue. A. B. Ferguson, general manager of Phoenix Assurance, who has just recently been on a world tour said in an address before Insurance Institute of London Dec. 1:

"In the United States the insurance industry will, I am confident, develop out of the present strain greater financial strength and increased underwriting skill. Every factor that bears upon profitable insurance underwriting is necessarily closely examined in these conditions. The adequacy of rates, cost of acquisition and administration, concessions in coverage—perhaps too cheaply given in better days—all come under review. Selection of business takes on a new importance; the beneficial effects of efficient practices and service must again have their day. In insurance more than in any other enterprise it is necessary to take the long view. The United Kingdom has benefited in the past from the return that has been earned on the insurance transactions of British operators in the United States, and will do so again, once the present testing period has passed. Meanwhile both in London and New York, the most alert minds that British and American insurance can produce, are at work to shorten the period within which profitable trading is resumed.

Welcomes U. S. Expansion

How interesting it has been to observe that our United States friends are steadily expanding their insurance activities beyond their own frontiers. The realization that they are now entering areas in which for many years the British companies have rendered good service, is not to be deplored or resented. It is welcomed, so that we and our United States friends and indigenous insurance industries may produce an even more efficient service to the community as world prosperity returns."

It is appropriate in this connection to recall that John A. Diemand, president of Insurance Company of North America, at the last annual meeting announced as a settled policy of his group to enter the reinsurance markets of the world. That pledge has now been reinforced by an entry into the British market. Guardian Assurance Company has become the non-marine attorney in the United Kingdom of Insurance Company of North America for both direct and indirect business. This adds a powerful competitor to the British market.

Another Market Development

Another market development has been the entry of at least one British and one Continental company in the facultative fire reinsurance market. Opinions differ widely on whether facultative fire reinsurance is worth the heavy administrative costs or not. It is, however, felt by some that there is force in the argument advanced last year in "The Review" by J. Tuma, manager of First Bohemian Reinsurance Bank, Prague, that professional reinsurance so to speak had moved up on the second floor. The ever-spreading demands for reciprocity have made it imperative that the ceding offices shall nurse their treaties carefully and make sure that they provide a reasonable profit to their first surplus reinsurers. This leaves the professional reinsurers who have little in the way of reciprocity business to give back, to accept mainly the second surplus and the facultative business. It is, however, also a question whether as a long-term policy the big British companies can indefinitely keep the substantial treaty business they have now accumulated or whether they may one day have to choose between the treaties they want to keep simply because they will not have enough reciprocity business to keep all their treaties. That day may still be some way off unless underwriting conditions should deteriorate.

The British professional insurance market although overshadowed by the market available at the big composite offices and at Lloyd's is steadily building up for itself a good position in international reinsurance. Their aggregate net premium income, excluding life, exceeds now £5 million and a figure which compares well with those for professional reinsurance markets in most of the European countries except naturally Switzerland which includes Swiss Reinsurance, far and away the greatest reinsurance carrier in the world. It is too early yet to assess 1947 underwriting but judging from cash losses for the first 10 months of the year, the fire business has on the whole not deteriorated and as the spiral of inflation is still operating there should actually be a lower claim ratio. Whether that will materialize depends on whether cash losses are a sufficiently accurate index of claims trends and this cannot be judged as so far substantially only first quarter treaty accounts are to hand.

The Times index of fire losses show an increase of nearly 50% and British home business may not be too good. The Swedish is particularly bad this year on a combination of a reduced level of premium rates and a higher claims frequency including apparently a fire raiser at large. The Italian business is also bad but the Italian tariff companies have taken energetic steps to improve matters though they are at present handicapped by price-ceiling laws.

Hungarian 1947 fire business is not too good either nor that of some other countries. Third party business everywhere is adversely affected by inflation and the inability of those responsible for rating to assess what awards a judge is likely to give. Much motor third party business is thus under a cloud although for instance in Great Britain the abolition of basic petrol rationing may improve matters a bit but not necessarily sufficiently to offset the higher costs of repairs and spare parts.

The experience of professional reinsurers with classes allied to fire is generally speaking that personal accident has been adversely affected by aviation losses, that burglary business has turned the corner but is not out of the wood

(CONTINUED ON PAGE 27)

Factors Facing U. S. Reinsurance In International Market

By JAMES J. BUTLER
(Copyright 1947)

James J. Butler is a member of the insurance department of the state of New York. The views stated in this article are personal to the author and do not necessarily reflect the views of the department. Mr. Butler has taken courses conducted by Insurance Society of New York, including a course in reinsurance. This is a prize-winning essay, for which Mr. Butler won an award offered annually by Paul Willemson, president of Sterling Offices, Ltd., to a student of the Insurance Society's reinsurance class.

Mr. Butler's father was the famed A. N. Butler, vice-president of Corroon & Reynolds, who died at the time of the commissioners convention at Atlantic City last June.

With the conclusion of the recent war and the resulting chaos in the field of international reinsurance, the same furor that arose after the first world war with regard to the wholehearted entrance of American reinsurers into the market has been revived.

The collapse of the Axis companies, the uncertain ability of the British underwriters to fill the resulting vacuum, and the post-war position of the United States as the only sizable economic survivor of the conflict, all contribute to breathing new life into the reanimated myth of America as the world insurer.

Trade magazines have been commenting on the possibility or probability of American reinsurers seizing their opportunity to dominate the international market.

Ignore the Impediments

In the main, however, these articles have lightly brushed aside such impediments as exchange difficulties, legalistic barriers, deposit requirements, and general disinterest on the part of the American underwriters. Optimistically hurdling these obstacles, they have gone on to point out the benefits to be won in the international field—the stability, prestige, good-will, and profits that accrue from a world-wide spread of reinsurance.

There is certainly ample reason to believe our domestic companies would have little difficulty in finding a foothold in the foreign field. The opening exists and the competition, although keen, suffers from an inability satisfactorily to cover the entire market.

Dislocation of Markets

The European demand for reinsurance coverage has always been substantial, even during relatively normal periods. The dislocation of the Munich-Trieste companies has released an enormous amount of this business into the open market. Before the war, Germany alone assumed in the neighborhood of 400 million RM a year of reinsurance. This assumptive capacity no longer exists, and the German supply of cessions to other countries' demands has shrunk to almost nothing.

The South American market, meanwhile, is booming. Wartime economic gains are being consolidated and the entire financial structure of the continent is in the process of expansion. This results in an increased demand in the international market from this source for adequate reinsurance coverage.

Increased and new demands from the rest of the world contribute to the flood until today the reinsurance market is larger than ever before in history.

Internationalism Wanted

This enlarging of the market calls for greater internationalism of reinsurance. The law of large numbers and the technical requirements of spreading the risk apply to reinsurance equally as well as to insurance. The soundest way for reinsurers to achieve a satisfactory equilibrium is by enlarging their connections and by accepting treaties from abroad.

Of equal importance to the technical factors urging American participation in international reinsurance, are the political and economic factors. The U. S. as the most powerful nation in the world has far-flung obligations. Current American exports of capital to Europe will result in American investment in industrial plants and facilities in those countries. For reasons of stability and security alone this country will be an investor in many lands. To the extent to which American interests will be involved in foreign economies, we will experience exactly what British insurance and reinsurance experienced when it was called upon to follow British capital wherever it was employed. It has been stated that reinsurance is the backbone of international trade and that the development of such trade might virtually imply domination of the reinsurance market.

The great demand for reinsurance coverage cannot be completely satisfied by the reinsurers now in the field, even if they had the desire to attempt such ambitious coverage.

In Great Britain the reestablishment of British companies in other countries will produce an enormous demand for reinsurance in the London market. This fact, coupled with British economic retrenchment throughout the world, suggests that there is little danger of American reinsurers seriously interfering with British interests. Indeed, many English writers appear wistfully eager to have America share this international burden also.

Denmark and Switzerland do a huge international business, but despite Switzerland's monetary order and the outstanding quality and reputation of her companies, she alone cannot satisfy the huge demand. Neither will the reinsurance carriers of Denmark and other European countries be willing to do the entire job of replacing Europe's reinsurance coverages without Anglo-American cooperation.

The South American markets while growing and maturing are, in the main, interested in placing their own excess business.

This puts the question of financial ability squarely up to the U. S.

Pre-War Situation

Prior to the war the premium income of some 25 fire and marine and six casualty reinsurers in this country represented almost 20% of the world's aggregate premiums written by professional reinsurers. This percentage was due for the greater part to business assumed from domestic companies. America's international "output", was relatively small.

During the war there was a large increase in premium income of the American reinsurers. Fire and accident premiums in 1945 were $21,317,000 (67%) ahead of 1939, and casualty income over the same period was up $11,388,000 (43.7%). The two sections together showed an increase of $32,705,000 (56.6%). The combined total in 1945 was $90,511,000, making the U. S. substantially the biggest market for reinsurance in the world. This is $10,304,000 ahead of the total shown by all German companies in the pre-war year of 1938. The Swiss 1945 total was $55,440,000—a good deal less than the American.

Finances Very Strong

Complementing this vast and increasing volume, the finances of the American companies, already very strong, have been considerably strengthened. The fire group in 1945 against an increase of $3,857,000 in premium income, showed an increase of $10,496,000 in general and underwriting cover.

American companies have an opening in the international market and they have the financial strength to take advantage of it if they so desire. Also America's postwar position as an economic giant, coupled with our rapidly expanding commitments all over the world not only encourage but actually demand American participation in international reinsurance on a bold scale.

Money Can Be Made

In addition, it has been demonstrated that money can be made in the international market. British, Swiss, Scandinavian, and before the war, German, underwriters, have had an underwriting profit that has been consistently higher than that developed by American companies. In fact, most American reinsurers have shown an unbroken underwriting loss for the past 10 years. It has only been the superior investment profits that has given them a net profit approaching that of the foreign underwriters.

Why then, with the economic power, political encouragement, and moral incentive do not American reinsurers plunge into the international market at this most opportune time?

The answer lies in a number of factors, no one of which is in itself insurmountable but which, in concert with several very powerful intangibles, make American participation on more than a limited scale doubtful.

We will examine the more concrete barriers first.

Currency Exchange

First is currency exchange. A powerful deterrent to American enterprise in international reinsurance is exchange difficulties. Even in normal times the hazards of dealing in and with foreign currencies have given pause to American capital. Today, with economic structures tottering all over the world and rates of exchange fluctuating madly, it is a brave entrepreneur who risks his sound American dollars for the uncertain profits to be found in foreign fields. The margin of profit in reinsurance is small enough at best, and when the reinsurer's capital as well as this problematic profit is endangered by shifting political and economic tides, it is little wonder that many American underwriters do not consider the candle worth the game. It has been remarked by some managers that it is one thing to earn your profit in foreign markets and quite another to get these profits home. In some countries there are requirements that policies be written only in terms of local currencies, together with prohibitions against tranfers of any such currency, particularly profits, to the U. S.

Today, transfers of funds are generally free in the neutral countries of Europe and in most of the Western Hemisphere, but elsewhere difficulties exist.

I.T.O. Ignores Insurance

The various international trade organizations have interested themselves in the problem, and in this country private groups are trying to promote federal action to lift restrictions and stabilize currency. However, little success has, as yet, resulted. At the drafting of the charter of International Trade Organization, for example, the matter of international insurance was completely ignored.

Then there is the matter of deposits. Despite some recent recognition abroad of the fact that excessively stringent deposit requirements are both unnecessary and harmful, the almost universal prac-

tice of requiring qualifying deposits continues.

American reinsurers desiring to transact business abroad frequently find they are required to deposit higher amounts than are asked of nationals.

Even if equal amounts are requested, the amount required for reinsurance operations is often the same as the substantial deposit asked for direct writing. The reinsurers are thus depositing more than the resulting business is worth. This is particularly true when, as is sometimes the case, the interest allowed is less than can be earned in ordinary investment operations. When bonds are permitted as a deposit they are generally required to be bonds of the ceding country and as such are limited by this country's supervisory authorities as to both amount and type. Deposits are subject, also, to depreciation in value and to political contingencies.

In an attempt to improve the situation, several foreign countries have eased deposit requirements. Great Britain, under the latest Assurances Companies Bill, has offered to release deposits with the Board of Trade upon reasonable guarantees of the solvency of the companies working in that market. Under the provisions of the new bill, foreign reinsurance companies should be able to operate freely in England if they have a reasonable surplus to policyholders.

More Reasonable Attitude

This lead has been followed, to a lesser degree, in France and the Scandinavian countries, and while deposits have not been waived, a more reasonable attitude is prevailing.

It is difficult to foresee any general abrogation of deposit requirements in the near future, and for so long as foreign countries demand deposits American reinsurers will continue their reluctance to assume foreign business.

Again there is the matter of premiums withheld as liability security. In many countries, foreign reinsurers are compelled to leave with the ceding office on account of unearned premiums, a portion of the gross premiums running, in some cases, as high as 40%. These withholdings serve to diminish the reinsurer's balances, especially where the volume of business is rising.

Domestic reinsurers assuming business from foreign countries must, of course, carry an unearned premium reserve on the business assumed. The domestic reinsurer may take credit for the deposit withheld abroad on this account, but where the deposit abroad is in excess of the unearned reserve required in this country, the domestic reinsurer is penalized to that extent.

French Agreement

Under the French fire reinsurance agreement of 1944 more consideration is being given to assuming offices as regards these deposited funds. The French stipulate that where loss reserve deposits are required by the ceding offices a reasonable delay in presenting quarterly accounts shall be allowed. Unfortunately, there is no evidence of this liberality spreading throughout the international market.

Then there are monopolies and nationalism. Monopolies range from complete state control of all insurance, as in the case of Russia's Gosstrakh, to limited reinsurance monopolies within the framework of private economy, as in Turkey, Brazil and Chile. In most cases the spread of reinsurance into world markets is not completely halted as retrocessions are permitted and amounts in excess of priority quotas are usually allowed to be freely placed in the international market. Even Gosstrakh favors retrocessions to and acceptances from private companies abroad. The existence of monopolies nevertheless discourages international reinsurance if only by skimming the cream off the local market.

Among the other types of foreign restrictions that operate to discourage American reinsurers in the international market are discriminatory taxes on premiums, general income, and other monetary phases of the business. In several foreign countries ceding insurers are penalized for cessions to reinsurers abroad by means of special taxes. These taxes normally are added to the commission and paid by the American reinsurer doing business there. Various schemes of fees which are larger for foreign reinsurers than for nationals also exist.

There are limits on the amounts of reinsurance which may be written in the United States and discriminatory restrictions such as compulsory investment in local securities and fixed high percentages of local directors or shareholders.

Requirements are found that policies be written only in terms of local currencies, together with prohibitions against transfers, particularly of profits, out of the country.

These restrictions are presently under fire by interested organizations in the United States in an attempt to build up the premium income of American insurers to where it represents a fair proportion of all American imports. Little progress has been made so far and these restrictions are an added irritation to the American reinsurer.

Reciprocity Feature

It is customary in international reinsurance circles for a company receiving insurance premiums from a company located in another country to cede in return part of its reinsurance to that same company. This practice tends to counteract the exaggerated belief that international reinsurance damages national balances. It also increases the spread of reinsurance internationally with the resulting technical advantages.

This custom has been steadily growing and since the end of the war has received added impetus from the growth of exchange by way of reciprocity between direct writing offices due to the contraction of the professional reinsurance market. In general, however, the bulk of the reinsurance business in Europe is transacted by direct-indirect writing companies, often operating as primarily direct writing companies at home and as reinsurance companies abroad. The business is transacted largely on a reciprocal basis and professional reinsurance has, as J. Tuma of First Bohemian Reinsurance Bank put it, had to "move up to the second floor". It has been given the function of smoothing out fluctuations in results of the first surplus treaty so universally used for reciprocity purposes, whereas its function was formerly to smooth out the net retention by accepting the first-surplus treaties themselves.

Americans Eschew Exchange

American reinsurers could fit themselves very smoothly into this scheme of things if they were receptive to the theory of reciprocity. Unfortunately, American companies look upon the exchange of business, particularly in the foreign market, with what closely approaches horror.

Exchanges, especially of facultative reinsurances, have been practiced among American companies, but usually it has been confined to business written in this country. Even then many insurers object on the ground that reciprocity reveals too much information to a competitor or because such cessions might prove embarrassing to an agent writing for both companies.

These objections are invalid insofar as retrocessions into the international market are concerned, but American insurers have objected to ceding any reciprocal business abroad because most foreign companies are not admitted in this country. Dealing with unauthorized insurers entails still further complications.

Reciprocity can be of great benefit to a company in the foreign market. It enables the foreign country concerned to cede business abroad without adversely affecting its trade balances. At the same time it enables the foreign company concerned to maintain a larger premium volume. In this manner it combats the spreading evils of monopoly and nationalism, and incidentally, creates new business.

Reciprocal agreements entered into in the proper spirit may serve to reduce the difficulties engendered by currency restrictions and may lessen currency exchange problems. The parties must, however, exchange treaties, not with the idea of gaining a quick profit at the expense of the other, but with the primary intent of lessening their losses. In this manner balances will, over a period of time, equalize themselves and the net amount of export of capital and exchange of currency will be comparatively light.

America has a huge volume that could be spread into the international reinsurance market. It could be a mutually advantageous exchange, for in return for assuming European reinsurance demands, American insurers would be ceding some of America's high-burning business into the international market.

American objections to reciprocity nevertheless continue in force.

Other Technical Difficulties

The task of management embarking upon an international career is exceptionally complicated. In addition to the continuing problem of finding qualified help who understand the languages, customs and financial systems of foreign countries, the insurer is faced by the economic conditions that rule in the world today. There is no place in the business for babes-in-the-woods. Technical supervision of the business to the extent which was prevoiusly known is today imposible. New ways must be found to earn a useful profit on the

(CONTINUED ON PAGE 26)

Wallace Falvey Goes to Top in Mass. Bonding

Succeeds Late Father as President—Flynn to No. 2 Post

BOSTON—Wallace J. Falvey, formerly executive vice-president of Massachusetts Bonding, has been elected president to succeed his father, the late T. J. Falvey, and John J. Flynn, vice-president, has been elected executive vice-president.

Mr. Falvey graduated at Harvard and then studied law and was for a while in the investment banking business. He

WALLACE FALVEY

joined Massachusetts Bonding in 1917 and received training in all home office departments. He was particularly successful in these early days in his work with the surety claim department and succeeded in adjusting some very difficult contract bond claims.

During the first war he served in the aviation service and upon his return became manager of the Boston metropolitan department. He developed this department rapidly and eventually went to New York as vice-president in charge of the branch there.

Purchased N. Y. Building

The New York branch expanded and developed soundly under his direction and in 1930 he negotiated the purchase of the building at 130 William street. This building houses the branch office with surplus space leased to tenants and it has proved to be a most profitable investment.

As time went on Mr. Falvey devoted more and more time to field work and executive duties for the company and eventually was elected executive vice-president, dividing his time between New York and Boston.

Mr. Falvey has achieved a position of prominence in the industry, has served on President Truman's safety committee and was recently elected president of International Assn. of Casualty & Surety Underwriters. His brother, Donald Falvey, is secretary of Massachusetts Bonding.

Mr. Flynn joined the company in 1907, shortly after its organization. At first he had charge of the burglary department, supervising both underwriting and claims. Later he took on the plate glass department and still later the liability and compensation departments at which time he was relieved of burglary claims and was elected vice-president.

From then on down through the years he has directed the casualty underwriting, but in addition to that has been much occupied with agency matters and other executive duties. He has made many countrywide trips and is thoroughly familiar with the field and agency problems. He is both agency and company minded.

Mr. Flynn has also been occupied with intercompany relations, including participation in acquisition cost conferences and serving on numerous committees. He has demonstrated an outstanding ability to step in where friction threatens and quietly and successfully smooth the ruffled waters. The late President Falvey never hesitated to assign to him matters requiring sound judgment and delicate handling.

T. J. Falvey, Mr. Flynn and George Berry, vice-president in charge of bonds, were known as the 40-year group, as each had been associated with Massachusetts Bonding either from its inception in 1907 or shortly thereafter.

LUHN AND HART RETIRE

Schisler F. & D. Claim Head; Foster Fidelity Chief

BALTIMORE—J. Harry Schisler and Edgar F. Foster have been named to succeed John A. Luhn and Robert S. Hart, respectively, as vice-president in charge of the claim and fidelity departments of Fidelity & Deposit. The latter are retiring under the retirement plan of F.&D.

Originally a member of the legal and claim department of the American Bonding prior to its merger with F.&D. in 1913, Mr. Luhn had been connected with the latter company since that date and had headed its claim and salvage activities for more than 30 years.

Mr. Hart, in addition to heading the fidelity department for the past 33 years, also had served as secretary since 1912. Employed in 1903 as private secretary to F.&D.'s founder, the late Edwin Warfield, Mr. Hart subsequently was transferred to the fidelity department and became its manager in 1914. He was elected a vice-president in 1926.

Mr. Schisler has been associated with the F.&D.'s legal and claim departments since 1910. He is a graduate of Baltimore City College and University of Maryland law school. He is well known in surety claim circles. He has served as a vice-chairman of the insurance section of American Bar Assn. He was elected a vice-president of F.&D. last February.

Mr. Foster joined F.&D. in 1906 and except for the period from 1930 to 1932, when he served successively as assistant manager and manager of the New York office, has been continuously associated with its fidelity department. He is regarded as one of the country's foremost authorities on fidelity underwriting. He was elected a vice-president in 1946.

Am. Fidelity Increase

American Fidelity of Vermont has voted to increase capital to $1 million by the sale of additional stock, all of which will be taken by present stockholders including New Hampshire Fire. Approximately $175,000 will be added to surplus. The company has written $1,051,000 in premiums in 11 months this year, practically double the same period of 1946.

H. Randall Pease Is New Travelers Comptroller

HARTFORD — H. Randall Pease, who has been chief accountant, has been named comptroller of the four Travelers companies, in charge of all general accounting work.

Vernon T. Dow, who has been an assistant comptroller, was made secretary of the newly-created department of branch office administration.

Richard M. Denne was made an assistant secretary in the personnel department. John P. Frazier, Jr., and Gordon G. Fogg, who have been assistant chief accountants, were made assistant comptrollers. Guy H. Barney, Stanwood A. Melcher, Maurice G. Vincent and David L. Kempf, who have been assistant comptrollers, were made assistant secretaries of the branch office administration department.

Others Who Are Appointed

Kenneth Brown and Peter F. McKay, Jr., were appointed assistant cashiers.

Miss Louise F. Reheiser has been named assistant secretary of the home office administrative department and becomes the first woman to occupy an official position on the administrative staff. She continues in charge of the stenographic department.

Mr. Pease joined Travelers in 1918. For twelve years he was in charge of the agency statistical department. In 1930 he became assistant chief accountant, and in 1935 chief accountant.

C. H. Kunzer to Standard Bond Post at Chicago

Charles H. Kunzer has been named field representative at Chicago for Standard Accident specializing in fidelity and surety production.

Mr. Kunzer served as a special agent for Fidelity & Deposit from 1928 until 1943. He was superintendent of the bond department of Royal, Globe and Eagle at Chicago, previous to his present appointment.

Propose Tenn. Medical Plan

NASHVILLE — A prepaid medical plan to pay costs of all medical attention and surgery will be ready for consideration of the Tennessee State Medical Assn. when it meets here Jan. 18, according to Dr. William H. Hardy, secretary of the association. Policies to cover individual, family or group, to be underwritten by a selected carrier, will be offered.

Bailey Chief Actuary

NEW YORK—Arthur L. Bailey has been given the permanent appointment of chief casualty actuary of the New York department. He has been serving in that capacity since July. He is a graduate of University of Michigan. He was previously with American Mutual Alliance at New York.

Hulse Goes with Boston

William H. Hulse, who has been in the San Francisco metropolitan department of Hartford Accident, has been appointed superintendent of the automobile department in the Pacific Coast office of Boston.

Name Martin at Washington

Raymond L. Martin has been appointed manager at Washington for Eagle, Globe and Royal succeeding W. E. Stansbury who goes to New York office as an agency secretary to assist in supervising casualty operations in the south.

Plow Up More Data on Which to Base N. Y. Law Changes

Truce with Lloyds on Direct Surety Business Told; Williams Testifies

NEW YORK—The joint committee of the New York legislature, seeking data on which to base additions to and changes in the state insurance law in order to accord with the implications of public law 15, continued its hearings with a 2-day session here. The next hearing will be held in mid-January, in Albany, according to Chairman Walter J. Mahoney.

H. M. Hess

The truce between London Lloyds and American surety companies was described by Hale Anderson, vice-president of Fidelity & Casualty. According to his testimony, the truce is an oral agreement arrived at first in 1935, developed in 1936, and continued by discussions in 1938. Prior to 1935 Lloyds had written considerable brokers' and bankers' blanket bonds but had confined themselves mostly to large metropolitan banks. In the early thirties Lloyds underwriters became more aggressive and provided serious competition for American companies. At the

HALE ANDERSON

same time Lloyds enjoyed a large volume of reinsurance from these American companies. Apparently fearing that competition with American companies would reduce their reinsurance income, Lloyds approached the American companies through counsel and suggested that Lloyds might want to retire from writing these bonds direct but in return for this they wanted an agreement providing them reinsurance premiums to equal the amount of business that they would cease to write.

Lloyds agreed not to write brokers' and blanket bonds at rates lower than

the Towner manual calls for. At this time Lloyds was writing about $3 million in premiums, or one-sixth of the $18 million written in the U. S. Also

J. M. McFall

J. W. Rose

in the verbal agreement, on which the only papers preserved were certain memoranda, was the stipulation that American companies would refrain from fostering tax legislation on a state or national basis unfavorable to Lloyds, and would also be under an obligation to oppose legislation if introduced by a source other than the insurance companies. According to the testimony no such legislation was introduced.

American companies feel, however, that they'll have to dispense with this agreement when the public law 15 moratorium expires in June, 1948 and probably it will be discontinued before that.

The 1935 and 1936 discussions took place at New York, and the 1938 conference was held at London. Approximately 18 or 20 U. S. companies agreed to this pact. These companies write about 75% of the business here. Except in certain minor instances it was testified that Lloyds has lived up to its agreement.

Use of Towner Rates

It was also decided that on and after the agreement became effective Lloyds could write any amount of business it wanted to if they used Towner rates and Surety Assn. of America forms. The firm of Bigham, Englar, Jones & Houston acted as Lloyds counsel during the

E. J. Scholfield

C. N. Comegys

New York discussions. Mr. Anderson has been handling the correspondence as secretary of the American committee while Vernon Roth, secretary of Surety Assn. acted as statistician although not in his capacity as an official of the association. It was merely that he is a central source of figures, said Mr. Anderson.

Questioning by Senator Friedman brought an admission that the truce served to increase rates for the public since it eliminated the lower rate offered by Lloyds as well as the forms used by the English underwriters. American representatives at the London conference were executives of U. S. F. & G., Indemnity of North America, and Fidelity & Deposit.

Mr. Anderson discussed the general setup of Lloyds and pointed out that it was unlicensed and untaxed in this country except in Illinois and some forms in Kentucky. He believes that Lloyds represents unfair competition to American insurers because domestic companies are burdened with legislation and taxation which do not affect foreign companies. He testified that he did not know what basis Lloyds used to arrive at a rate, nor what rates they

(CONTINUED ON PAGE 24)

Fireman's Fund Men Are Realigned

Several changes have been made by Fireman's Fund in the Washington and Idaho fields. G. A. Haney, who served in the field for another company prior to the war and also for the Washington Surveying & Rating Bureau, has been appointed state agent with supervision over western Washington. He will be assisted by Garth L. Dill, who recently entered the business after service in the army air force, from which he was discharged as a captain. Mr. Haney served in the coast guard, emerging as a lieutenant commander. He succeeds Gordon Arter, who has been transferred to the head office in San Francisco.

Robert F. Coyle, who started with the company in 1935 and served three years in the army, has been appointed special agent for northeastern Washington and northern Idaho. He succeeds Weldon F. Miller who resigned to go into the agency business at Opportunity, Wash.

Wash. State Now Allows Experience Rating Plans

SEATTLE — Indemnity of North America is the first casualty company to qualify experience rating plans under the new Washington insurance code and early acceptance of the previously-rejected plans—after necessary amendments have been made—of the bureau, non-bureau stock and mutual companies is expected.

Commissioner Sullivan has accepted North America's experience plans for automobile, general liability, burglary, glass and the retroactive premium adjustment plan.

Principal objection to the previously-filed plans of the other groups was the alleged discriminatory feature. The North America plans are applicable to all eligible risks.

It is expected that early filing will be made by other groups and independent companies.

The formula is an arithmetical plan to determine by actual loss ratio, permissible loss ratio and credibility factor the experience modification so produced. The plan must be applied without exception to all risks meeting the eligibility requirements. No "schedule" plans accompanied the North America filings.

Fight "Compulsory" Plan

SAN FRANCISCO—About 900 San Francisco doctors, who recently resigned from the panel of the San Francisco municipal employees health service system, have joined in a petition to the board of supervisors to prepare a charter amendment to eliminate the compulsory features of the plan. The doctors, conducting a forceful campaign against the system, call it a fraud and say deductions from payroll "are being collected under false pretenses." The system recently requested the doctors to limit their services to the system's members, give no x-rays unless ordered by the director of the system, encourage the use of home remedies—which the doctors declare to be dangerous to public health. Cost of such services and the alleged financial impairment of the system were given as the reasons for such orders, which the doctors resented, resulting in their resignation.

First Reid Award Winner

The first scholarship award of the A. Duncan Reid memorial fund has been presented to Albert E. Gabay-Colombo of Argentina. The scholarship entitles Mr. Colombo to take the aviation course of the school of insurance, starting in January.

Mr. Colombo since 1946 has been adviser to Assguradoes de Aeronavagacion of Brazil.

The scholarship fund is made up of voluntary contributions from friends of the late A. Duncan Reid, who was president of Globe Indemnity.

R. R. Wilson Heads Casualty Underwriters, Inc., of Minn.

ST. PAUL — The newly organized Casualty Underwriters, Inc., has elected Russell R. Wilson of Minneapolis president; Horace R. Hansen, St. Paul, secretary, and John A. Johnson, Preston, treasurer. They with William J. McGladrey, Minneapolis; Katherine E. Wilson, Minneapolis; Lawrence H. Hazen, St. Paul; Lorraine S. Olexa, Mahtomedi; James M. Lynch, St. Paul, and Doris P. Dordell, St. Paul, are directors.

Mr. Johnson was for several years a member of the legislature and served as speaker of the house. Mr. McGladrey is president of Farm Owners Mutual of St. Paul.

The company, owned entirely by local agents, is capitalized at $100,000 with par value of shares $10. The incorporation has been approved by the insurance department. At the outset the company plans to write only automobile insurance but later will add other casualty lines.

R. W. Muldoon Baltimore Hartford A. & I. Manager

Hartford Accident has appointed Robert W. Muldoon as manager at Baltimore.

Mr. Muldoon has been assistant manager at Cincinnati for the past seven years. He joined Hartford in 1926 as a special agent in Kentucky. He was born at Louisville and attended University of Chicago.

Joins Eagle-Globe-Royal

Elmer Fitz, for several years in the bonding department of New Amsterdam Casualty at Los Angeles, has resigned to become assistant superintendent of the bonding department of Eagle-Globe-Royal Indemnity there.

Ready with Cal. Plan

SAN FRANCISCO — No company will be required to carry an assigned risk more than 36 months under an added provision to the new California assigned risk plan which becomes effective Jan. 19. This was one of the added provisions written into the plan by Commissioner Downey. If the risk has no losses during the three years it shall be returned as normal business. However, if no company then desires to write the risk it will be reassigned to another company.

The usual surcharges of 10 and 15% are provided for and the commission payable is 5% for long haul trucks and 10% for others, with a provision that the insurer may pay an additional 2½% to its own agent for field supervision expense. There is a provision that if the risk up for assignment is a motor club member, he shall be assigned, if possible, to a motor club insurer, but it is stipulated that no insurer may refuse to accept an assignment because the applicant is not a member of a motor club. This was inserted to meet the situation that was brought up by California State Automobile Assn.

The plan will be managed by Thos. G. Aston Jr., formerly with Central Surety, and offices will be maintained at Los Angeles.

Collector Left Without Bond: Padlock Office

FORT WORTH, TEX.—After J. A. Gooch, Fort Worth attorney, asked that Hartford Accident, Maryland Casualty and also General Casualty of Seattle, be released as securities for John Bourland, Tarrant county tax assessor and collector, Sheriff Montgomery, carrying out the law governing tax officials without bond, padlocked all doors to Bourland's office in the courthouse here. Jesse M. Brown, county legal adviser, said Mr. Bourland would have 20 days to make bond. The three surety companies were relieved of their $150,000 bond liability.

Pa. Group Laws Are Being Studied to Correct Abuses

HARRISBURG, PA.—A committee of the Pennsylvania joint state government commission has been organized to make a study of group insurance in the state during the next year and report its findings and recommendations to the 1949 legislature for possible changes in laws. Sen. Montgomery F. Crowe (R.), Monroe county insurance man, committee chairman, said among problems faced by the committee are what kind of groups can be covered; size of the group to be covered and the question of whether any limitation should be placed on the coverage of individuals under group policies.

The present Pennsylvania laws on group insurance are a "mixed-up mess," he said. The original idea of group insurance was for employers to give their employes something extra by securing insurance for which the employer paid in whole or in part, but abuses have developed in the group field.

Extreme Cases Are Cited

"There are cases of companies putting on group policies under which executives are insured for as much as $25,000 when they could well afford to take out individual and personal insurance policies," he stated, and some officials avoid paying for insurance under the group system and also save on taxes.

Senator Crowe said Commissioner Malone informed the committee the commissioners have been studying the problem for two years and will have definite recommendations to make next June.

The welfare fund of the United Mine Workers of America eventually will have to come within the scope of the state's group insurance laws, so far as its Pennsylvania funds are concerned, the legislator said. He declared the anthracite fund of the union now contains $4,500,000 and the bituminous fund $20 million. "They are getting to such proportions that definite administration of those funds will be needed," he concluded.

All phases of group insurance are being studied by the committee with a view of bringing the law up to date and clarifying various sections. Hospitalization plans also will be studied.

United's Xmas Festivities

The Christmas festivities at the head office of United of Chicago were especially sparkling because they were held for the first time in the new home office building at 1313 South Michigan avenue. President O. T. Hogan always puts much store on these occasions and superintends the details enthusiastically, including personally distributing the Christmas gifts from the platform. Last Friday the party was held for the 200 home office employes, during which the group from each floor staged a skit which was followed by professional entertainment and then cocktails and a buffet supper. The next day the 125 Chicago city agents who are quartered at the building at 2721 South Michigan avenue under Division Manager Julius Crost, gathered at the home office for their Christmas party.

United now occupies the sixth, fourth and basement floors of the building at 1313 South Michigan. The quarters have been remodeled in most attractive style with all the latest improvements in lighting, soundproofing and air-conditioning, and a cafeteria is operated for employes. This has been under the personal supervision of Vice-president A. D. Johnson.

United continues to go forward at a rapid clip. Its premiums this year will reach about $13 million as compared with about $10 million last year.

Don F. Dickerson has become associated with the J. L. Van Wagoner agency, Pontiac, Mich.

Plow Up Data for N. Y. Law Changes

(CONTINUED FROM PAGE 22)

quoted, and added that they did not release figures on this topic either in America or in England.

He said that they carried a bond on one of the largest banks in the country and would write it for nothing for the prestige and use it as a reference in making sales to additional banks. Speaking of that truce, Mr. Anderson said that he thought the agreement was perhaps in violation of the anti-trust act but that it was in accord with the spirit of accepted dealings with non-admitted companies. Insurance companies in this country have no objection to Lloyds writing business in this country and would welcome them if they were on the same competitive basis. He told the committee that there was a necessity for state or federal legislation to protect American companies from this unfair competition.

N. Y. Fire Exchange

The regulations of New York Fire Insurance Exchange were the subject of considerable questioning when Harold M. Hess, manager and secretary of the exchange, took the stand. Reading a prepared paper, Mr. Hess outlined the history and the activities of the exchange which he said was a voluntary organization having as members 111 companies and 67 agencies. He said that the regulations prevented the majority of the fire business in the city from going to the larger companies and that its regulations on commissions and acquisition costs had prevented cutthroat competition among companies on brokerage business.

Answering questions relating to the effect of public law 15 on the fixing of commissions by the exchange Mr. Hess pointed out that a committee of the exchange was working on the problem but that they had not reached any agreement. He felt that the fixing of commissions might be in restraint of trade and said that he was hopeful that the joint legislative committee would be able to offer some legislation to put everything on a legal basis. In the exchange itself some committeemen are opposed to statutory control of acquisition costs while others do not object.

Of primary interest to the committee, two-thirds of the members of which are from Queens or Brooklyn, is the regulation which permits Manhattan and Bronx agenies to write business in Brooklyn and Queens as well as in their areas, whereas the agents in Brooklyn are restricted to Brooklyn and Queens and Queens agents are restricted to Queens. This was necessary, Mr. Hess said, because the bulk of the business is written in Manhattan and Bronx offices. It was the consensus of all present, however, that something would be done about this to erase what one committeeman said was an injustice to Brooklyn and Queens agents.

C. N. Comegys Testifies

Clarence N. Comegys, general manager of Oil Insurance Assn., Chicago, appeared. With the aid of a microphone and a public address system Mr. Comegys was able to make himself heard over a thunderous pounding and hammering in the next room of the building where carpenters and sand blasters were doing repair work. He gave a detailed description of the history and functions of Oil Insurance Assn. from its birth shortly after the first war through the Texas City disaster. He said the association writes average yearly premiums of about $4 million and that it is one of three which operate in this country in addition to independents.

J. W. Rose, secretary of the New York State Assn. of Insurance Agents and a member of the Buffalo Assn. of Fire Underwriters, testified. The "in or out" rule of the Buffalo association was of interest to the committee. It provides that all agents of a company must be either in or out of the association if they are in the Buffalo area. If one agent of the company leaves the association then all must leave it. The association also has rules which prohibit writing in certain areas. However he pointed out that they were not restrictive as the rules applying to Brooklyn were. He said that agents outside Buffalo cannot write in the city and agents inside the town cannot write outside of it. This he thought was a fair rule. He was inclined to agree, he said, with a committee man who suggested that the rule applying to Brooklyn and Queens was unfair.

COST CONTROL

E. J. Schofield, chairman of the Acquisition Cost Conference, a company group composed of 69 casualty and 79 surety companies with some duplicate membership, described the history of his organization. It was formed to act as a forum on marketing problems, a service organization to assist companies and rating bureaus in making rates, and to make rules. He said that his organization makes continual research on the subject of acquisition costs and recommends a maximum expense element to the company which enables them to limit expenditures in getting business.

John M. McFall, vice-president and chief attorney of U. S. F. & G., as a member and head of various committees on acquisition costs testified that his groups were conferring with commissioners and producers in a bona fide attempt to explore the entire subject. He pointed out that various views still exist in all committees. Some believe that private agreements violate the Sherman act while others do not. He observed however that the overwhelming weight of committee opinion was that the private fixing of commissions was a violation of the Sherman law.

Final Report in January

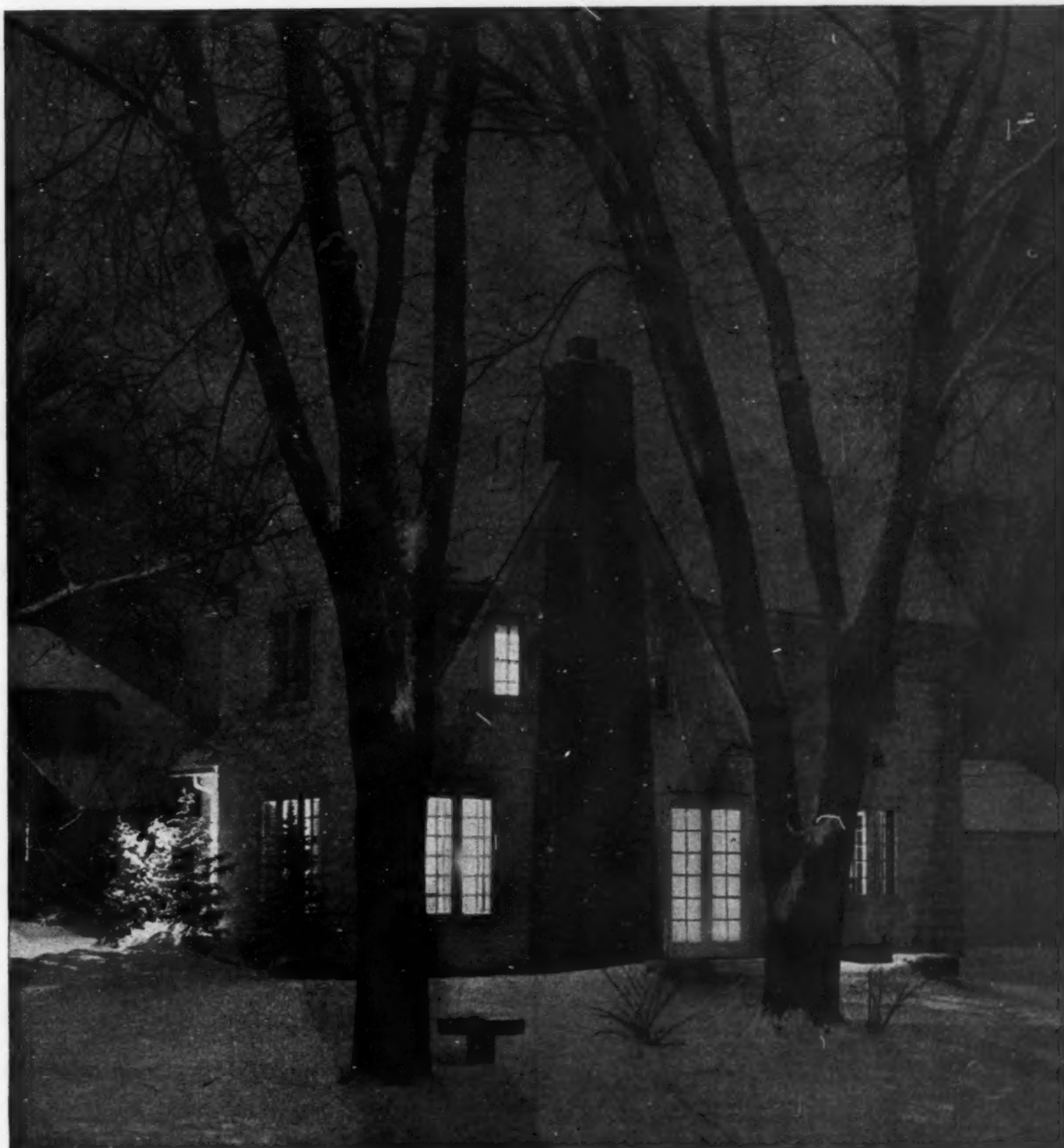
The committee is exploring the question of the states fixing commission rates. He doesn't think that with the end of the moratorium there will be any rate war. He hopes that his committee will have a final report ready early in January and that it will make its report to its senior committee—the dislocation committee of the Assn. of Casualty & Surety Companies. He also observed that his committee was assuming that the Robinson-Patman act was applicable to insurance stating that he felt it would be risky to assume otherwise. He believes that the present New York law with two exceptions, ocean marine and accident and health, protects New York brokers from the Robinson-Patman act. There might be a need for some legislation to protect brokers of casualty companies writing accident and health, he observed.

Frederick W. Doremus, manager of Eastern Underwriters Assn., said his organization was advisory on commissions and member companies could do as they please. The committee was interested in his description of what the organization did in establishing rates and when it was pointed out that it was an advisory organization and that there were also rating organizations and companies themselves which could write at certain rates, one of the committeemen observed that there is superfluous number of organizations concerned with the making of rates.

Follmann Gives Data

Joseph F. Follmann, Jr., manager of Bureau of Accident & Health Underwriters, testified that in his opinion the life section of the New York state insurance law covers the accident and health business insofar as the Robinson-Patman act is concerned, although he thinks there may be some need for legislation

(CONTINUED ON PAGE 32)



International Market Factors Noted

(CONTINUED FROM PAGE 19)

comparatively slender margin in the business.

The insurance laws under which we in this country operate are designed, basically, to protect the people in their status as policyholders or stockholders. Although the state is also keenly interested in advancing the interests of its domestic insurers and in seeing them realize a reasonable profit, these and all other considerations are, and must remain, subordinate to the primary purpose of state supervision. As a result, certain statutory obstacles have been thrown in the path of the reinsurer entering the international field.

As a general rule it may be stated that the domestic insurer may take credit only for assets under the jurisdiction and control of the state. Thus assets under the control of not-admitted companies are generally disallowed for statement purposes.

New York Provision

The unauthorized insurer may be completely solvent and reputable, but in carrying out its primary intent of protecting the citizen of the state, the supervising authority in New York, for instance, does not allow as an asset, funds the collection of which it cannot enforce.

A similar situation exists with regard to premium reserves. Amounts receivable by a domestic assuming insurer for funds withheld by a not-admitted ceding insurer under a reinsurance treaty for unearned premiums are admitted in an amount not exceeding the amount carried by such assuming insurer as liabilities for unpaid losses and reserves under such contracts. If an American reinsurer assumes $100,000 in business from an unauthorized foreign company he is required to carry an unearned premium reserve on such business. This reserve may amount to $60,000 at the end of the year with an additional unpaid loss reserve of $10,000.

Foreign Insurer

At the same time, the foreign insurer after receiving a commission of $20,000 on the business ceded may withhold $80,000 as a reserve for unearned premiums. The domestic insurer may at this point, it is true, apply the $80,000 withheld abroad against his reserves in this country up to the amount of such reserves and losses. If his unpaid losses and premium reserves total $70,000 this amount may be applied against the $80,000 withheld, but the domestic reinsurer is penalized the excess $10,000, the amount by which such reserves and losses are exceeded by the foreign deposit requirement, for dealing with an unauthorized insurer. This results in a reduction in surplus on the annual statement.

These restrictions, in conjunction with the high standards required for doing business in this country which result in few foreign insurers seeking admittance, admirably carry out the intent of the legislatures to protect policyholders and stockholders from loss. They also, however, serve to handicap the activities of domestic insurers in the international field and result in retaliatory legislation against American reinsurers. Where dealings with unauthorized insurers will result in a reduction in surplus in the annual statement, domestic reinsurers will think twice before going after the business.

Obstacles Not Insurmountable

The aforementioned obstacles, impressive as they may seem, by no means render participation in international reinsurance impossible. By dint of considerable determination, ingenuity, and acumen a number of American reinsurers have entered the field and have prospered.

Rather than casting about for new sources of business the reinsurers are trying to handle the enormous amounts of insurance now seeking reinsurance coverage. The idea of deserting this rich field to struggle against the restrictions crippling international reinsurance simply does not make sense to the American underwriter.

This reluctance is underlined by the opinion, frequently held and often true, that even if the reinsurer does successfully earn his foreign profit, there is considerable doubt as to his ability to get this profit home unimpaired.

Until world conditions become more stable it is impossible to predict a burgeoning of American reinsurance in the international field. The American underwriters are decidedly apathetic concerning any lost opportunities to become world reinsurance powers.

Modifying the Barriers

This is not to say that American reinsurers can be expected in the future to shun internationalism with the same vigor they have exhibited in the past. The international situation fairly cries for the participation of American enterprise and capital in sharing the reconstruction of reinsurance facilities throughout the world. It is difficult to believe that a nation as economically powerful as America will be able to avoid taking part in world reinsurance affairs. The need for American coverage, if no other reason, will eventually force the modification of barriers that now contribute to American aloofness. Powerful forces, both private and governmental, are hard at work encouraging American reinsurance to expand internationally.

The U. S. Chamber of Commerce, through its insurance department, has announced that "The premium income of the foreign operations of the United States (insurance) companies should be equivalent to more than 5% of the total value of United States exports to, and physical properties in, all foreign countries." The Chamber states that premiums fall far short of this figure and wants international action to remove restrictions, and to create international goodwill.

Official Trade Policy

This attitude runs parallel to the official trade policy of the U. S. It is believed that in a world which has been shrunken by improved transportation and communications all people will be brought closer together and that international trade must of necessity be on a greatly increased scale. It is further believed that international friendships may be established among business men engaged in the same line of business and brought closer together. The promotion of international friendship is the official policy of the United States.

With this in mind it has been predicted that the federal government will interest itself in American reinsurance and will act to mitigate the difficulties obstructing international operations. Inasmuch as there is still doubt as to the extent to which federal supervision will be applied to insurance, there is always the possibility that this governmental interest will take concrete form.

Multiple Line Laws

There have also been indications of a loosening of legislative restrictions among the various states. It has been claimed that the passage in recent years of "multiple line" laws is merely the beginning of general relaxing of the laws restricting international reinsurance, and that further freedom may be expected in the future.

The fact does remain that business follows capital, and that American capital—whether governmental or private—has embarked upon an international career. It is also true that where business and capital go, insurance and reinsurance follow.

When and if restrictions are lifted and when pressure is exerted to induce American underwriters to accept foreign cessions, we will see our premium income from abroad climbing. But American reinsurance will be a "reluctant dragon" for some years to come, and by the time it is ready to assume its rightful place in the world market it will probably be found that the opportunity is gone and that more internationally minded foreign countries have cornered the market.

It is not a particularly inspiring picture, but it is quite probable that the future will find the American reinsurer gingerly wading into the turbulent sea of international trade—fearful of the riptides and undertows of foreign currency aberrations and weighed down by foreign restrictive legislation—yet prodded on against his will by America's high burning rate, American economic expansion, and the very fact that America is so financially strong.

Great Am. Reserve Rally

Great American Reserve is holding its annual convention and banquet at Dallas Dec. 27. More than 350 people will attend.

INTERNATIONAL REINSURANCE VIEW

(CONTINUED FROM PAGE 17)

yet and that contract guarantee business is bad, while fidelity and most other minor classes are good. Marine will probably again show a profit mainly because the companies will be declaring their balances on 1944 business. The current position is much less satisfactory but as long as the joint hull committee remains in being and the cargo market maintains combined marine surcharges the bottom should not fall out of the marine market however distressing theft and pilferage losses may be.

Harold H. Mummery, marine underwriter to London Assurance, and chairman of Institute of London Underwriters, holds very strong views on the terms on which marine reinsurance business should be accepted and it is important to note that he is being supported by Mr. Merrett, one of the more important Lloyd's underwriters, in a plea for keeping some sort of proportion between net retention and the number of lines reinsured.

There is one more development in the London market, that is perhaps worth mentioning because it has an American angle. It is the entry of at least one British company into the catastrophe reinsurance market on a limited scale. It is perhaps a market peculiarly suited to the genius of Lloyd's yet one which the company market cannot indefinitely ignore. Some American correspondents complain, however, partly of a too tight London market and partly of a tendency to penalize the good catastrophe covers for the sins of the bad. At the moment of writing renewals of catastrophe covers may not have been completed in the London market and it is too early to say whether rates will harden. The following considered view of the position may, however, be taken as an authoritative answer to the American challenge:

It is obvious that inflation must always make catastrophe cover less attractive to the reinsurer unless there is a stabilization clause in the treaty which raises net retentions as the price level goes up. Rates of catastrophe covers may, however, in general harden owing to the recent hurricane losses, the conflagration at Bar Harbor and the Texas City catastrophe. Obviously there can be no question of an exact science in the rating of catastrophe risks as so many different factors have to be taken into consideration such as the geographical spread of original business and the portion of the original business derived from fire, windstorm, earthquake, etc. It may truly be said that American catastrophe business has now reached such dimensions that it must stand in a class apart and that up to a point the arrivals "must pay for the losses" if we may borrow a marine term.

This does not mean, however, that in practice it would be equitable and expedient to charge all companies a particular loss as for instance companies may have no business in Texas or in the southeast. This subject of catastrophe risks or special risks as it is sometimes called in this country is attracting wide international interest and was debated at the Santander conference of insurance technicians organized last July by Senor J. Ruiz, the Spanish state insurance superintendent. It was then decided to set up a bureau in Madrid and to call for cooperation from all over the world to study the subject. D. J. Kadyk of Lord, Bissell & Kadyk, Chicago, recently gave an address before the American Bar Assn. on the same subject in which he advocated tackling catastrophe risks as a direct rather than a reinsurance problem. Mr. Kadyk touched something fundamental in insurance when he said that its primary function is to cover serious losses and not the ordinary run-of-the-mine losses which the individual can comfortably carry himself. In that respect the self insurance catastrophe risks apart, of American railways, is no different from the policy pursued by the national coal board of this country and in both countries insurance and reinsurance men must consider earnestly ways and means of making their services more attractive to big business.

French Observation

I referred above to stabilization clauses in catastrophe covers. M. Toussaint, assistant manager of Cie. Europeenne de Reassurances, of Paris, has written a book "Commentary on Reinsurance," in which he discusses this subject. He says that various clauses have been drafted automatically raising the net retention of the ceding office if the price index goes up. He claims, however, that these clauses are too rigid for the French genius and that it is difficult to devise a suitable index—wages of metallurgical workers in the Paris region, salaries of insurance employees, the price of grain, etc. He says, however, that between two contracting parties of good faith a clause stipulating that net retention shall be revised retrospectively if conditions alter, has worked well in France.

The days of retrocession by borderaux and card index may have gone forever. Indeed some practical minded British reinsurers think that such retrocession has never been worth the expense. M. Toussaint informs me that his company as an alternative is seeking to balance treaties by retroceding such percentages of each treaty as will leave his company net retentions, according to tables of limits approximately the same for each treaty. The method cannot cope with the question of accumulation of risks and if too many treaties are held from a too limited area, it may become necessary to have a catastrophe cover.

These are some of the problems that confront professional reinsurance today. These are the days of full employment with a tendency to attract labor to the productive rather than the distributive trades and professional reinsurance may find it difficult in many countries to obtain a sufficient quantity of loyal and trained staff. More than ever, therefore, reinsurance becomes a matter of the utmost good faith and success or failure may depend on the sound judgment of the reinsurance executive and the amount of hard work and traveling he is putting in to keep his fingers on the pulse of foreign markets.

One interesting development in that respect should be adopted, namely the decision of the Council of the International Marine Insurance Union at Cannes to encourage the formation of an international reinsurance association which could become affiliated to the union and be represented on the council when reinsurance matters are discussed. Such an association would be open to all direct-indirect writing companies whether marine or non-marine though possibly professional reinsurers would form a sub-committee of their own inside the association.

Discussed at Cannes

The subject was discussed at an informal meeting at Cannes where some 30 reinsurers were present and where it was decided to ask J. Tuma of First Bohemian Reinsurance Bank (Prague) and R. Moor of New Insurance & Reinsurance (Geneva) to explore the possibilities. The proposal owes its origin to a suggestion by B. Deruginski, general manager of Rossia Reinsurance of Copenhagen, in The Review last year and it was ventilated already at the Zurich meeting of the union last year when, however, no definite conclusion was reached.

Looking round the various markets a few observations may be made. The Argentine authorities seem not yet to have published the necessary regulations to set up the State Reinsurance Institute. On the contrary we understand that the companies which under

the act would have to reinsure 30% compulsorily with the new institute have been told to make their own reinsurance arrangements for 1948. That applies also to the retrocessions arrangements of the Coarfire, one of the two professional reinsurance companies, which company has already renewed practically all its treaties in the British market. The British companies have given considerable thought to the question of opening up insurance and reinsurance relations with Japan. At present there is, however, only a question of British companies insuring British interests there, and American companies American interests.

Trading With Enemy Act

The British Insurance Companies (War Settlement) Committee continues to study the matter but until the restrictions under the trading with the enemy act are removed they cannot insure or reinsure Japanese interests. Once these are removed the British group of some 70 companies will no doubt commence to write fire, accident and marine business in respect of such interests. Meanwhile the group is cooperating with the occupation authorities, Japanese insurers, and the U. S. insurance companies with a view to rehabilitation of the Japanese insurance market on a sound basis.

The German position remains equally to be clarified. Under Laws 47 and 53 the Germans are precluded from doing business abroad but under a French decree—relating only to the French zone—they could reinsure German interests in France and a new reinsurance company, Europa, has been founded in Baden-Baden under French participation. The view of British military authorities is, however, that for the time being non-German companies should accept reinsurance business from German companies.

The Germans are arguing strongly that they should legally be allowed to continue at any rate their treaties with such neutral countries as Switzerland, which have not applied the sudden death clause to cancel treaties owing to interruption of postal connections. They are also arguing that it is against the interest of the Allies not to allow German companies to reinsure abroad. Some 25 European companies are being authorized to do direct busines in Germany, the list so far including no British companies.

An interesting feature of the eastern Europe situation is that Gosstrakh, the Russian state insurance office, seems to encourage reinsurance in the western countries against reciprocity. Some British companies have been doing business with the Germans for many years.

The Poles are known to have placed a substantial business in this country and some in Scandinavia and even East European General of Budapest is endeavoring to place half its business in the western countries against reciprocity. The company has been founded on the basis of Turul, the Hungarian subsidiary of Anker of Vienna, and nine branches of German companies which have been taken over by the Russians as reparations. We are informed that the company has succeeded in placing some lines of the treaties with Dutch, French, Swiss and Italian companies.

French Situation Obscure

The French situation is still obscure, and new business is difficult to place or obtain from the London market. French insurers and reinsurers are, however, reasonably satisfied with the loyal support of their old connections in a very trying period in the history of France. The Spanish business, though perhaps not as good as in 1946, is still excellent. Special risks such as probably the Cadiz catastrophe last summer are covered through a special catastrophe fund and the setting up of that fund has proved a good investment, enabling the companies to substantially raise their fire premiums.

The Dutch are developing a national reinsurance market based on Universeele Reinsurance, formerly German but now entirely Dutch owned. The Scandinavian markets are developing along traditional sound lines.

Nordisk Re Enters Canada

Nordisk Reinsurance Company has entered Canada and there is a possibility that some of the companies may wish to enter the United States as well. In North Africa Societe Nord Africaine has founded a subsidiary office Societe Atlantique de Reassurance in Tangier which is fast becoming an international banking and insurance center owing to the absence of currency restrictions and Compagnie Francaise de Reassurances Generales has set up a subsidiary office Cie. Occidentale de Reassurances in Casablanca. Swiss Reinsurance is calling up some more of its issued capital thus raising the paid up share capital by fr. 11,600,000 to fr. 434,800,000 which will further strengthen its position in the U. S. market.

To conclude it may be said that the London market whilst not under-rating the difficulties ahead are confident that it has established for itself an unassailable position in world economics and whatever restrictions may be placed on operations in foreign markets and however discriminatory the legislation may become against foreign companies they will continue to be able to give that high class security and service they have been proud to give for over two centuries, not the least to the United States market.

Publish Wash. W. C. Booklet

A booklet on workmen's compensation in the state of Washington, has been published by Simon Wampold, Jr., supervisor of industrial insurance at Olympia. The manual is designed primarily to enable workmen to understand the monopolistic act and is a reference for agents and brokers. It is available without charge from the department at Olympia.

ACCIDENT AND HEALTH

How Better Business Bureau Handles A. & H. Cases Told

CINCINNATI — Complimenting health and accident agents for their association efforts in putting disability selling on a professional rather than an opportunistic basis, whereby they protect the interests of insurance in general and the free enterprise system under which all business operates, G. C. Young, assistant manager Cincinnati Better Business Bureau, told Cincinnati Assn. of Accident & Health Underwriters this is a far cry from the era when competitors in business would not even speak to each other. This proves business men can cooperate and can progress, without legislative compulsion.

Mr. Young explained how the Better Business Bureau protects legitimate businesses and how it handles complaints and inquiries relating to disability insurance. The Cincinnati office gets about 2,000 insurance questions each year. At least 75% of these relate to accident and health insurance. If the home office of the company involved is not in Cincinnati, the files of the bureau where the home office is located are consulted, and also the standard reference books of insurance company statistics. The number of complaints relating to insurance received in recent years has been reduced materially. Mr. Young believes this is due to better salesmanship.

Most complaints or inquiries are handled by mail. Usually it is possible to explain to inquirers what they have or do not have in their insurance policies. If there is a complaint that cannot be cleared up immediately, it is referred to the local office of the insurer, or if that cannot be done, to its home office. Only as a last resort is the matter taken up with the insurance department.

He said policyholders who consult the bureau usually do so because the salesman has not made the terms of the contract clear. There may be a misunderstanding about such things as illness waiting period or the cancellable provision in policies. The bureau explains that the latter is a mutual provision under which the policyholder may cancel, as well as the insurance company. Since no physical examination is required, the company needs the provision for its protection and that of other policyholders.

Regional at Dallas Jan. 15

Twenty-eight companies domiciled in Texas, in addition to conference members, have been invited to attend a one-day regional meeting sponsored by Health & Accident Underwriters Conference at the Baker Hotel, Dallas, Jan. 15.

Travis T. Wallace, president Great American Reserve, a member of the executive committee of the conference, is in charge of local arrangements. Topics to be discussed include hospital and medical insurance, group and franchise insurance, and underwriting. Mr. Wallace will also lead a round-table discussion on new agency problems as they apply particularly to disability insurance.

Give Assist to Hospitals

WASHINGTON—Group Hospitalization announces intent to distribute $70,000 among eight hospitals on account of losses sustained in caring for GHI subscribers during the first eight months of 1947.

About the same time withdrawal of the Arlington and Alexandria hospitals from Virginia Hospital Service Assn., said to be Blue Cross, because of that organization's "refusal to raise benefit payments sufficient to meet rising hospitalization costs," has been announced. Both Virginia hospitals accept patients from GHI, which has never joined the Blue Cross plan, but cooperates with it on a reciprocity basis.

Officials of Virginia hospitals said Arlington Hospital lost $5,800 on Blue Cross patients in the 10 months ending Oct. 31, and Alexander Hospital lost $8,529 over the same period. The latter's chairman, D. C. Book, said that "in the future these patients will be treated on a straight cost basis only.

Lambert Cleveland Chief

Cleveland Assn. of Accident & Health Underwriters at its annual meeting elected these officers: President, John B. Lambert, Mutual Benefit Health & Accident; vice-president, John Byrne, Union Mutual Life; secretary, B. L. Busfield, Retail Credit; directors, H. H. Nunamaker of the Columbian National Life, retiring president; Lloyd Feder, Reliance Life; Arthur Altham, Aetna Life, and William A. Knight, Federal Life & Casualty.

Curbs National Protective

RICHMOND, VA. — A permanent injunction against National Protective has been entered by the Virgina corporation commission, which charges the company with promoting its insurance in Virginia without the commission's approval. The company was enjoined "indefinitely" against further promotion. It has been advertising low cost hospital and health insurance.

Attorney Speaker at Atlanta

Attorney Alton B. Hollis of Decatur was the speaker at the Dec. 16 meeting of the Atlanta Assn. of A. & H. Underwriters. Mr. Hollis discussed "Persuasive Speech." Eugene Wayne, General Accident, Atlanta, spoke on group insurance.

C. Fred Freel, vice-president and agency director of Standard Life & Accident of Oklahoma City, was host to the women members of the office staff at a Christmas party.

Fire Reinsurers Gorged by Year End

(CONTINUED ON PAGE 14)

years ago, but the big shift has been in the last two years.

In establishing a sliding scale, the reinsurer looks over the recent experience of the direct company and makes allowances, in his personal judgment, for the individual account, management and general underwriting, then sets a minimum commission that he anticipates paying. The reinsurer is interested only in the most recent loss history of the company in arriving at a commission. One factor that is considered is whether the company is subject to outside control. Whatever policy is established, the reinsurer wants it on a firm basis.

Under the sliding scale arrangement, the minimum commission is tied in with a named, earned loss ratio, and the sum of the commission and earned loss ratio should be short of 100% by enough points to show the reinsurer a thin margin of profit. For example, a fairly standard minimum commission for a company that has had an unfavorable but not bad experience might be agreed upon at 32½% when the earned loss ratio is 60%. This provides the reinsurer with 7½%, out of which must come his management expense. On this basis, the reinsurer would probably pay a maximum commission of 45% when the earned loss ratio was 42½%, leaving him 12½ points. If it is necessary to pay a higher maximum commission, the reinsurer looks for a little better spread for himself.

Of course, today, the ceding company is pessimistic about the loss ratio. Consequently, he looks at the minimum commission and not at the maximum, although the reinsurer points out that the commission might fall in between.

Although commissions in the reinsurance field have declined, this is not regarded as a permanent state of affairs. The reduction simply reflects loss ratios, a tighter market, and so on. What the fire reinsurers want is not to try to get rich all at once but to share business with the direct writers year in and year out, in premium lean as well as premium fat times.

Some of the fire reinsurers have minimum commissions as high as 40%, even today, and they are justified by the immediate past experience. There are others as low as 25%. Reinsurers have been realistic in establishing them at a point where they believe they can make a reasonable profit.

LOSS EXPERIENCE

The experience of the reinsurers has been spotty. They were clipped by the big winds in the southwest and by the Texas City disaster. However, they did not get hit too hard by the Florida-Louisiana hurricane, and only a few suffered to any extent in the Maine-New Hampshire forest fire losses. On the whole, they feel better about losses than the direct writers. Part of this is due to the fact that their treaties are on a profitable basis, they have been able to select business, and though 1947 may not have been the best year as to loss ratio, the future for a time looks very bright.

In the Florida-Louisiana hurricane, the reinsurers did not suffer heavily. The companies because of the profitable quality of residential business have for some years been attempting to retain all of such risks net with the possible exception of small companies on large properties. Consequently, it was the direct writers who took the licking in the southeast, since mostly residential properties were damaged. There were some excess contracts under which reinsurers were hit, but in general they came off pretty well.

Few Hit In Maine

In Maine where the losses were also principally residential, the reinsurers were not damaged, except for a couple of reinsurers doing business with some of the local companies writing a lot of residential properties in a small area Here the reinsurers took a whipping.

The 1947 experience with catastrophes, particularly the Texas City, Maine and some of the heavy windstorms in the southwest that did a lot of damage in a small area, brought up the question of concentration of risk as it affects the reinsurer. Obviously, reinsurers in certain states take more business than they may think safe. The experience may be excellent, and their relations with the direct insurers of the very best. The business may be profitable for years. Yet 1947 showed what can happen where the direct companies operate heavily in a limited area. One suggestion is a pool to provide excess coverage for the reinsurer on each individual direct writing company in orders to limit the catastrophe loss that might arise.

Term Business

There is some difference of opinion as to how much five and three year term business is going on the books. Some say there is little new business of this type, others that there is considerable. One reinsurer said that with a considerable amount of term business being written this year, the pressure on reserves would be eased up considerably next year. Another observed that he had noticed little new business of this type being written and that the direct companies are more or less following a policy of continuing

WANT ADS

what term business they have but not taking any new. If an insured is buying it for the first time, or if he has changed carriers, he is being put on an annual basis.

The reinsurers are not taking too seriously the agitation for gigantic reinsurance funds. This year, perhaps, such a fund could have done a good business, but what will it do for volume in 1949?

The reinsurance market is unanimous in pointing out that it is not the reinsurance business that has been falling down on the job. What those who advocate a big reinsurance fund are thinking of is capacity to take over a flock of the business the primary companies can't write. This is not basically reinsurance at all but surplus direct business, and the direct writers are adjusting themselves to take care of it. The problem is posed for reinsurers because the direct writers can't take it on at the moment.

It would be foolish for a reinsurer that has to make his modest profits over a period of years to expand inordinately in order to write all of the volume that is offered. When the big demand slacks off, most of this surplus business will be reassumed by the direct writers, leaving the reinsurer high and dry.

Credit for Non-Admitted

There has been some effort to get the states to permit credit for reinsurance in non-admitted companies. Undoubtedly, this would make a substantial difference in the amount of business direct companies could write, and it would help the reinsurers, who also cede business to other insurers.

The key to the situation seems to be the attitude of the New York insurance department, which has stated that its hands are tied by the state law which prohibits such credit. Those who would like to see credit for non-admitted reinsurance recognize the fact that the way to meet the problem is to get an amendment to the New York law at the next session of the legislature. Apparently this will be attempted.

Question Wisdom of Policy

Observers believe that if New York permitted this credit, other states would do so. However, there is a question in the minds of some reinsurers whether the state authorities would be justified in not opposing a change in the law and in the practice. They point out that the primary responsibility of the insurance commissioner is for the policyholders in his state, under business that already is on the insurer's books. He is probably not in the position to jeopardize that responsibility by taking a chance on a company or companies over which he has no control and which he would have difficulty in reaching in case direct writers placing business in those companies got into difficulties.

It may be that if the rate of increase in premiums declines next year, there will be less advocacy of proposals of this kind. It does seem unfair for a company reinsured in a strong carrier not to take credit.

Thumping Casualty Increase in 1947

(CONTINUED FROM PAGE 13)

ness. Like practically all those engaged in insurance today, reinsurers are making a closer selection, but admittedly they are not strapped or strained the way the fire business is. They point out, as do the fire reinsurers, that the problem is one of an inadequate direct writing market rather than inadequate reinsurance facilities.

The other day a broker called a reinsurance company and expressed great friendship for the management. It turned out that he had a fleet of trucks that he was placing with Company A which now writes only standard limits on each vehicle, \$5,000/\$10,000. The trucker wanted \$100,000/\$300,000. Company A suggested the agent get excess cover. He called the reinsurer, which turned down the offer.

The producer wanted to know why. The reinsurer pointed out that the primary companies several years ago, without consulting reinsurers, reduced the rates for excess limits. These tables obviously are now too low, and the direct writers are telling the agents to go to the reinsurance market for coverage. The reinsurer advised the producer to return to the primary company and say, "You get the bulk of the premium and should assume the business. Are you in the insurance business or not?"

Primary carriers point out that reinsurers frequently discount excess tables. This may have been true in the past. Then the reinsurer paid less commission and his adjustment cost was lower because of lower frequency. Also, under treaties, they get the low limit business as well as high limit risks, whereas in writing excess all they get are the big ones, and at present the catastrophes have caught up and passed the excess tables. For example, at present table 1 applies to truck risks, and some reinsurers feel that at least table 2 should be used.

While casualty reinsurers want a higher rate for some of the excess limits they are taking today because they have been hit hard by catastrophes of the last couple of years, theirs is not essentially a problem of capacity. Their share in the premiums is small, but the real reason is because the casualty reinsurers are better financed than the fire reinsurers. The casualty reinsurers have ample surplus facilities. They believe that the relationship of direct writer and reinsurer in this field has been a good deal more mature from the outset than in the fire end. The casualty direct writers have exercised restraint. They have not fallen into the bad habit of reciprocal business.

The casualty reinsurance commissions are still pretty much on a flat basis, although there have been some sliding scale commission deals effected. The reason there were not more is because of the wider fluctuation in losses. A casualty reinsurer can get a big bump which has nothing to do with management of its underwriting.

Commissions

Casualty reinsurers think in terms of a "modest" profit. Hence the commission is only a mechanical method of trading money back and forth. If the reinsurers make too much, they give it back in larger commissions. If they make too little, the commission is cut. New contracts show a tendency toward somewhat lower commissions, but it is doubtful whether, on regular treaty business, there will be much difference over a period of time.

It is pretty hard to generalize when each agreement has its own peculiarities. For example on automobile and liability, if the direct writer retains \$10,000, the rate is one thing. If it retains \$20,000, the rate is something else. Currently negotiated agreements reflect the reinsurers' desire for a heavier retention by the primary carrier and the need for somewhat higher rates.

The shift to a three year term business in the fidelity field three years ago will level out in 1948. This will help the direct writers and the reinsurers to some extent with respect to reserves.

The reinsurers anticipate heavier losses on fidelity as time goes on, but the experience has been good and they are not uneasy.

The other lines are considered about normal, as to rates, volume and losses.

The casualty automobile reinsurance experience has been good where the average retention is fairly high, say \$20,000/\$20,000 or better. On lower retentions, the higher jury verdicts have made the line an unprofitable one for some reinsurers.

DEATHS

Chicago Leader in Bonding Field Killed

Maurice J. Scheemeacker, 45, resident vice-president in charge of bonding for Standard Accident at Chicago, was killed when his car rammed into a dividing post on Chicago's Lake Shore drive. He was a resident of Highland Park, Ill., but had been returning to the Union League Club where he was living while his family was in Florida. Mr. Scheemeacker was one of the top bond men in the country. At the time of his death, he was vice-president of the Assn. of Casualty & Surety Managers of Chicago and had been secretary-treasurer of that organization. He was president of Surety Underwriters Assn. of Chicago.

M. J. Scheemeacker

Mr. Scheemeacker enjoyed not only the confidence of his own but of other companies who went on large bonds he arranged. In addition to being a close and shrewd underwriter, he had a sales personality. Many times he initiated business where others had failed to see possibilities. He was especially instrumental during the war in arranging bonds on war contracts. He was possessed of driving energy, analytical and quick mind, and a virtually fool-proof memory for underwriting details and for people's names. Coworkers often went to him with problems outside of his field in order to have the benefit of his fresh slant on problems.

Mr. Scheemeacker was born in Belgium, but went to Chicago as a small boy. He had a high school education which he bolstered later with night studies at Kent College of Law. He started in the bond department of Aetna Casualty at Chicago in 1917 and was with that company for five years until he joined Columbia Casualty. He went with Standard Accident at Chicago in 1923 as a field representative in the bond department. In 1927 he went to Boston as superintendent of the bond department and returned to Chicago later in the same year as assistant manager of the bond department. In 1928 he was with Commercial Casualty, in San Francisco and Newark and the next year went with U. S. Casualty. Shortly afterward he went back to Standard Accident and became manager of the Chicago bonding department in 1933. He was named resident vice-president in 1945. His wife and two daughters returned home for his burial from Ft. Lauderdale.

Frank T. Gilson, 71, of the Robert Armstrong general agency of Jersey City, died at his home in Westfield. Mr. Gilson was a pioneer in the surety bond business. He started with U. S. F. & G. in 1904 in contract bond claim work, and subsequently became chief contract bond underwriter at the home office of U. S. F. & G. Later he was in the same capacity with National Surety and Commercial Casualty, and before joining the Armstrong general agency was vice-president in charge of surety underwriting for Southern Surety. He had been with the general agency for 14 years.

Frank M. Davis, publicity director and advertising manager of Utica Mutual, died at Utica after a year's illness. He was president of the advertising sales conference of American Mutual Alliance 1946-47. He joined Utica Mutual in 1930.

INSURANCE NEWS BY SECTIONS

MIDDLE WESTERN STATES

Kansas Agents Set Annual, Oppose Commission Cuts

The executive committee of the Kansas Assn. of Insurance Agents meeting at Wichita adopted a resolution opposing windstorm and extended coverage commission reduction, and selected Wichita for the annual convention which was set for Oct. 20-22.

The six point resolution stated that the proposed reduction by the companies of windstorm and extended coverage commissions to fire levels is a deliberate violation of the agency contract. They charged that such a reduction will be promulgated in the aggregate commission received by the agent without any attempt to find means to compensate him for those lines on which he sustains a definite loss in handling in the face of rising agency and personal expenses. The resolution states that windstorm and extended coverages were promoted by the agents with very little compensation or at an actual loss to a point where they are almost universally carried by property owners in the state.

Zone meetings will be held in January at which the subject of commissions will be discussed. The members of the executive committee were guests at the annual Christmas party of the Wichita association.

The five year program recommended by the planning committee includes development of an adequate agents' qualification law and drivers' licensing law, possible revisions of the Kansas insurance code, a study of dues, and consideration of the western section of the state for mid-year meetings.

Oswald Is Janesville Head

JANESVILLE, WIS.—L. F. Oswald, Beloit, was elected president of the Rock County Assn. of Insurance Agents at the annual meeting in here, succeeding W. B. Sullivan of Janesville. Walter Green is vice-president, and Aaron Jensen secretary-treasurer, both of Janesville. Directors are Fred O'Neil, Beloit; Frances Conely, Clinton, and L. A. Ruchti, Janesvalle.

Speakers were Urban Krier, Wisconsin state association executive secretary; County Clerk Lindeman, and B. M. Engebretson, Beloit local agent and chairman of the House insurance committee.

Wichita Christmas Party

Commissioner Sullivan of Kansas and Russell Brown, assistant commissioner, were special guests at the annual Christmas party of the Wichita Assn. of Insurance Agents. There were many other special guests among the 300 attending, including public officials, officers and executive committee of the Kansas association who were in Wichita for an executive committee meeting, headed by Charles Schoonover, Garden City, president, and Alpha H. Kenna, Topeka, executive manager. E. C. Beezley, Beezley, Outland & Foote, and A. E. Smoll were in charge of arrangements. Printed programs were furnished by Central States Fire.

The Victor G. Henry cup, awarded at the Christmas party each year to the Wichita agent who has contributed most to the association in the year went to Secretary H. V. Schott, who in the year opened his own agency. Vice-president R. E. Israel, Jr., made the presentation.

On display was the Frank T. Preist cup, awarded at the Kansas convention each year to the local board of the state which does the most outstanding job in its community and which was awarded to the Wichita association at the recent Kansas convention in Topeka.

The Christmas party of the Dulaney, Johnston & Priest agency of Wichita, which included Sheffer-Cunningham, adjusters, and field men represented by the agency and their staffs, was held Dec. 19. The Wheeler, Kelly, Hagney party was held Dec. 18.

Fire Marshal Appointments

Ray Gill, Ohio state fire marshal, has appointed Charles La Monday of Marion chief of the new arson department of the fire marshal's division. His assistant is R. Russell Smith of East Liverpool. Both will be located at Columbus. Assistant fire marshals will be located over the state as follows: Mark T. Booth at Cleveland; Charles Schinzel, Toledo; Willis Peterson, Cincinnati; Reed Wilson, Pleasant City, southeastern Ohio. J. W. Huntington of the Mill Mutuals, Columbus, has been named chairman of the advisory committee of the state fire marshal's office.

Detroit C.P.C.U. Courses

With M. J. Pierce, educational manager of Standard Accident as instructor, a review course to prepare students for C.P.C.U. examinations I and II, will be given each Monday evening at Detroit from 7 to 9, beginning Jan. 5 and running through May 17. The fee is $20. During the week of Feb. 9, a course in law will begin to prepare students for examination IV. William A. Wickham, Standard Accident, will conduct these classes.

Timm Kenosha President

KENOSHA, WIS.—George A. Timm was elected president of the Kenosha Assn. of Insurance Agents at the annual dinner meeting, succeeding Lester J. Schlax. Other officers are Hanry McQuestion, vice-president; John L. Hogan, secretary. Dividend checks were distributed to 34 members of the association, which manages insurance coverage for the city and county of Kenosha.

Emerson & Co. Takes Over

Emerson & Co. Jan. 1 will assume charge of the agency formerly conducted at Peoria by Mrs. Marie Bennett Coric. She is retiring. George H. and James E. Emerson head the new interests. For 1½ years they have operated their own agency out of the Peoria branch of Travelers. George Emerson formerly was with the claim department of Travelers.

Controllers Hear Carter

DETROIT—George W. Carter, president of the Detroit Insurance Agency, spoke at a dinner meeting of the Detroit control of Controllers Institute of America on "Business Interruption Insurance."

Youngstown Agents Elect

Ralph P. Smith has been elected to succeed Carl A. Gluck as president of Youngstown (O.) Assn. of Insurance Agents. Harry P. Bowmaster is vice-president; George E. McNab, secretary.

Chancellor in Pittsburg

James L. Chancellor, staff adjuster with the Joplin office of Western Adjustment, is being transferred to the new Pittsburg, Kan. office Jan. 1.

Through an inadvertence the head office of the newly organized **Old North State** was incorrectly stated to be Greenville, S. C. Of course it is Greenville, N. C.

PACIFIC COAST AND MOUNTAIN

Mountain States Mutual Agents Form Association

DENVER—Mountain States Assn. of Mutual Insurance Agents was organized at a meeting here. The organization will include all mutual agencies in Colorado, Wyoming and New Mexico. All agents representing one or more mutual agency companies are eligible for membership. Speakers were H. A. Kern, Central Manufacturers' Mutual, Van Wert; E. L. Poor, San Francisco, western representative of American Mutual Alliance, and Philip L. Baldwin, Washington, D. C., executive secretary National Assn. of Mutual Insurance Agents. Mr. Baldwin outlined objectives of the National association and its affiliated state and regional organizations.

These officers were elected: Carl Morse, Denver, president; Dean Royer, Greeley, Colorado, vice-president; C. N. Bell, Cheyenne, vice-president for Wyoming; Blair W. Thomas, Denver, secretary-treasurer.

Denver Agents Elect W. D. Sanborn President

DENVER—At the annual meeting of Denver Assn. of Insurance Agents, with 65 in attendance, these officers were elected: William D. Sanborn, president, succeeding Howard Hutson; Peter J. Walsh, vice-president; Fred S. Struby, secretary; Thurston H. Jenkins, treasurer. New directors elected are Rex A. Ruppel and Dean Stone.

During the term of office of the last administration, 17 new members were added to the association.

Bank Urges Adequate Cover

An assist has been credited by Oakland Assn. of Insurance Agents to the Central Bank of that city for a leaflet which the bank has distributed to all its depositors. The leaflet says:

"Perhaps you should know that the value of buildings is continuing to increase and it is vital to your peace of mind and your financial position that you be fully protected against loss in event of fire.

"This means one thing: An immediate review of your property holdings in the light of present day values and consultation with your insurance broker or agent if you find you are not adequately protected. Yesterday's fire insurance does not protect today's property values."

Opens San Francisco Unit

Marshall & Stevens, valuation engineers, have appointed R. L. MacNair as manager at 369 Pine street, San Francisco.

Mr. MacNair, as senior engineer, has been located at Los Angeles. Marshall & Stevens expect to expand their facilities in the San Francisco area for handling personal appraisal services covering all classifications of buildings and equipment.

Marshall & Stevens maintain offices at Chicago, Los Angeles, Minneapolis, New York, St. Louis and Philadelphia.

Mallard Now James Partner

Robert R. Mallard of San Francisco has been admitted to partnership in Fred S. James & Co. He joined the organization at Chicago in 1938, established the Seattle office in 1943 and in 1946 was appointed vice-president in charge of operations on the coast where the firm maintains offices at Seattle, Portland, San Francisco and Los Angeles.

J. J. A. Bliss Retires

LOS ANGELES—John J. A. Bliss, who has retired after 30 years service with District C of the Pacific Board, was guest of honor at a dinner. At the time of entering service he was chief examiner. On his return he rejoined the board and at the time of his retirement was in charge of the engineering department.

Methods Course Offered at U. C.

Fifteen weekly lectures on "Fire Insurance Methods," starting Jan. 16, will be offered by the University of California extension division at Los Angeles.

Maurice E. Mosher, manager of the insurance division of Pacific Western Investment Co., will conduct the course.

Rejects State Inspections

RICHMOND—The Virginia advisory legislative council, rejecting a proposal for a state-owned and operated inspection system for motor vehicles, has recommended in a report to Governor Tuck that the present arrangement be continued, with inspection fees raised from 25 to 50 cents. It was also recommended that inspection stations should be more carefully selected and that supervision should be more adequate. The council had been asked by the governor to study the present methods and to consider a plan for a state-operated system.

Issue Oversubscribed

The $300,000 issue of 6% cumulative preferred stock in Northwest Casualty offered to employes only of Northwestern Mutual Fire and Northwest Casualty was 100% over-subscribed. A plan for equitable distribution of the stock was worked out with a miximum of 211 shares to any individual. All common stock of Northwest Casualty is owned by Northwestern Mutual Fire and this program for employes is the only issue of preferred stock.

Award VA Coast Contracts

Zoss Construction Co., Los Angeles, has been awarded the contract by veterans administration for erection of an addition to its tuberculosis hospital at San Fernando, Cal., at its bid of $1,710,000. U. S. F. & G. through its Los Angeles office will execute the payment and performance bond.

Increase Hospital Plan Benefits

Connecticut General Life has increased benefits under the company's group hospital insurance plan. All full-time salaried employes in the home and agency offices, and full-time agents are eligible for the plan, of which the company pays part of the cost. Daily benefits for hospital confinement are now increased from $6 to $9 a day, and reimbursement for hospital fees is increased from $60 to $90. The same increases also apply to benefits for dependents.

Mail Order Defendants Arraigned

Ben Jaffe and Jerome Kutak of Guarantee Life of Hammond, Ind., pleaded not guilty in Hammond federal court when arraigned on charges of using the mails to defraud. They are charged with using the mails to defraud by sending letters misrepresenting policies they offered for sale. They were granted 30 days to file a number of motions asking dismissal.

Plow Up More Data on N. Y. Changes

(CONTINUED FROM PAGE 24)

to protect the casualty companies writing the line.

William E. McKell, vice-president of American Surety, was questioned on interlocking directorates and pointed out that the surety, casualty and fire companies in his group do not restrict each other but rather with the development of multiple line underwriting are becoming more competitive as time goes by. He said that the companies of the group do not restrict each other's operations but that in the case of his group foster competition. Superintendent Dineen interjected briefly with the remark that one of his attorneys who had been making a study of the subject for several months and was about to submit a report had died during the past week. This report will be completed by someone else in the department.

Joseph Magrath of Chubb & Son, which, with Marine Office of America, controls Associated Aviation Underwriters, pointed out that pool operation is essential because of the large risks involved in the aviation business and that competition in the field continues at a brisk rate.

Railroad Business

The questioning of J. Victor Herd, vice-president of America Fore group, and vice chairman of the advisory committee of Railway Insurance Assn., was comparatively brief. Apparently the loss ratio of the railroad pool set at rest any curiosity the committee members may have had along this line. Mr. Herd reported that since organization the net return to the companies on their railroad association operations in excess of losses and expenses has been 14.68%. In the five years ending with 1944, the association was in the red by 18% and it went up one or two points for the seven years ended with 1946. Since organization the loss ratio has been around 70%.

He said rates had been increased substantially but the increased premiums have not yet been earned. Policies are written for from one to five years. In response to a question, he added that the association used to file with the department through New York Fire Insurance Rating Organization rate indications, and these were accepted. However, in recent years, the experience of the association on the business has been such as to change many of those indications. The dollar loss for the pool in the last seven years was $2½ million.

How Business Is Written

The association has two functions, he said, prevention engineering in the fire and accident field, and the furnishing of capacity for tremendous values in the railroad business. The business is written on a joint liability basis up to a maximum of 12% for any one carrier on any one risk. The association currently is seeking additional members because of the shortage of capacity. It did a volume of $4,900,000 in 1946, compared with an over-all total in this field of about $17 million or $18 million. The business is of two kinds, fire and allied lines, and inland marine.

Railway Insurance Underwriters is the other pool in the field. The rest of the business is written by individual companies. Some railroads are self-insured, all of the major lines indulging in self-insurance to a lesser or a greater extent. They have highly specialized insurance departments, Mr. Herd pointed out and the men who run these feel that they know more about the insurance business than the insurance people do. Consequently, where they believe they can save money by self-insurance, they do it.

Insurance Executives Assn., E. L. Williams, its head, explained to the committee, is a forum for the discussion of policies and practices in the business that have nationwide aspects; it conducts research into policies and practices, and it confers with other organizations. It makes recommendations. Its personnel consists of top fire company executives.

Don't Bind Members

He assured the committee that since 1945 any vote on any proposal which may come out of discussions or research is binding on no member except finances. After the S.E.U.A. case, he said, and before state rate regulation the executives concluded that certain practices and rules should be discontinued. They didn't stop at those which they believed were illegal under the new definition of insurance by the Supreme Court. They examined all rules and practices and decided on elimination as a matter of good policy. They encouraged other organizations to do the same thing.

A good deal could be said in favor of some of those rules, he pointed out, such as separation, limitation of agency and non-intercourse rules, but they were discarded. There are, he said, only one or two changes of the sort recommended that have not been made. Positively, the executives decided upon certain things as improvements to the business—a new classification of risks, revised handling of expenses, new short rate table, and others.

Committee Questions

Is the I.E.A. the top policy making organization in the business? Chairman Mahoney asked. It is not fair to say it is the top organization of a hierarchy of insurance organizations, Mr. Williams answered. It suggests broad, general principles and leaves them up to the regional organizations to take up with state rating organizations and work out.

Mr. Mahoney sought by questions to learn if I.E.A. membership was identical with that of any other organizations. He asked if I.E.A. had anything to do with the bill introduced in Congress to exempt insurance from the federal anti-trust laws. Also, he referred to a phrase of Mr. Williams, that the executives "foresaw the pattern of state regulation."

Mr. Williams pointed out that any business should operate—and be permitted to operate—in accordance with its nature. An informed body such as a legislature would reach regulation that reflected a recognition of that fact. The less regulation the better, he added.

It is not necessary, he said in response to questioning, to have anti trust laws at the state level to apply to insurance. It was not the intention of Congress to apply the anti trut laws to insurance to the same degree as to other businesses. After all, concert of action on rates is authorized by New York law already. If each state had its own anti-trust law applicable to insurance, and there were 48 interpretations of its application to insurance, it is doubtful if the business could function. It would likely ask for a single law. Mr. Williams apparently was hinting that under these circumstances the business would prefer exclusively federal supervision.

Wouldn't Help Any

An anti-monopoly law would not make state control of insurance any stronger, he said.

The top men in I.E.A. control the purse strings of the business so they can dictate policy in regional organizations, local boards and for the little fellows in company ranks, a committeeman suggested. Mr. Williams replied that executives are responsible for the companies but have no control of rating organizations or local boards.

There can be no monopoly in insurance, he said, and the state doesn't need a law to "exclude elements of monopoly," if and where they exist. The state already has control. However, he assured the committee, the companies don't object to any state law they operate under.

The state could prohibit more by law than would be in the interest of the public, he said.

Is there a limitation on membership in these organizations and couldn't this operate to prevent a little company from staying in business?

To this Mr. Williams replied he didn't think it would happen with reasonable men. If non-membership prevented a company from doing what it is required to do, that is another matter.

Dineen Urges Anti-Monopoly Law

Superintendent Dineen in his appearance before the committee strongly advocated enactment of a state anti-trust law. He said that it was the national policy to have a state anti-trust law to tie in with the federal statute, and that other businesses were so regulated. He urged the committee to recognize this responsibility to the public to set up regulation of activities in concert. If such a law is not forthcoming, he expressed the opinion that such failure would seriously hamper state regulation of insurance.

Mr. Dineen recommended amendment of the present New York anti-trust law to include insurance.

A state Clayton act is, Mr. Dineen believes, necessary to permit fleet operations.

Most of the witnesses for the business opposed a state anti-trust act. Among them were J. Raymond Berry, general counsel of National Board, who pointed out that the superintendent doesn't need any additional power; he has enough now to regulate the business.

Charles G. Taylor, executive vice-president of Metropolitan Life, said the life companies hoped the committee would recommend legislation providing authority over boycott, coercion and intimidation at the state level.

Messrs. Dineen, Berry and Williams agreed on the need for a little Clayton act. Abraham Kaplan, attorney for New York Fire Insurance Exchange, explained the operations of that organization.

IN THE SOUTHERN STATES

Virginia Advisory Council Reports on Regulation

RICHMOND—Enactment of legislation to retain state regulation of insurance has been recommended unanimously by the Virginia advisory legislative council. In a report to Governor Tuck and the general assembly, which convenes in January, the council proposes extension of the present system of regulation to lines of insurance not now regulated but with a certain degree of flexibility necessary in rate-making procedure.

Schneider New Head of San Antonio Exchange

SAN ANTONIO—Charles W. Schneider of Lytle W. Gosling & Co. was elected president of the San Antonio Insurance Exchange at the annual meeting; Osias Wolf, O. Wolf & Co., vice-president, and F. F. Dudolph, secretary, elected for his 35th successive term. The board, by vote of members, presented Mr. Ludolph a bonus and Newton Jackson, retiring president, paid tribute to his work.

Directors elected include Robert Duncan, Hayes-Reinarz & Duncan agency, and E. Jeffries.

British Underwriters on Texas Inspection Trip

J. Douglas Pringle, general manager, and G. J. Tranter, fire manager, of Century of Edinburgh, accompanied by their United States manager, L. J. Tillman, visited Texas and while in Dallas were guests of Barney Vanston, general agent for the company. Mr. Pringle also is general manager of Friends Provident & Century Life Office, London.

Knoxville Rating Reduced

KNOXVILLE, TENN.—With Commissioner McCormack apparently not inclined to intervene again, the Tennessee Inspection Bureau has announced that as rapidly as possible all property here will be rerated on a 4th class instead of 3rd class basis. National Board check-up resulted in a report that "improvements were not sufficient to justify continuation in Class 3."

Further Va. Resolutions

Virginia Assn. of Insurance Agents adopted at its recent mid-year meeting a resolution urging the National association to combat the practice of trade associations which advise members to place insurance with designated companies. The resolution urged that insurance guidance given by any trade association be on the basis of need without recommendations to where the cover should be purchased.

The president was authorized to appoint a committee to consult with the insurance department on chages in licensing procedure and to advise on the type of agents' directory to be published.

The Christmas party of the Insurance Women's Club of Oklahoma City was attended by 55. E. C. Rooney, National Surety, was the speaker.

Make Accident Sampling

At the instance of Roy Duffus, prominent local agent, in his capacity as president of the Rochester Safety Council and of Edwin S. Smith, manager of the council, the claim department of a casualty company made an analysis of automobile accidents occurring in that city over a one-week period.

There were 31 accidents, the claims costs of which were estimated at $59,300. Of the 31 drivers involved, five were under 25 years old and 26 were older than that. It was expected that the survey would show that most of the accidents involved drivers of less than 25 years of age, but Mr. Smith said this has not been shown.

Public National Admitted

Public National of Miami Beach has been elected to membership in Assn. of Casualty & Surety Companies, bringing the membership total to 69.

Guarantee in Hawaii

LOS ANGELES — Guarantee of Los Angeles has been entered in Hawaii, according to President John Deering, who has just returned from a trip to Honolulu.

L. A. Sawyer, manager of the burglary and glass division of National Bureau of Casualty Underwriters, missed out on his summer vacation this year and is spending a few weeks in Florida.

Stanley Kite, president of Manufacturers Casualty and Manufacturers Fire, presented to **Walter F. Downey**, manager of the Newark branch office, a plaque for achievements and office management at a luncheon.

Joseph M. Rubens, Sr., 80, who in his early years was with Fidelity & Casualty in New York and went to Richmond for that company in 1902, died there.

Farmers Auto Inter-Insurance Exchange has opened a new district office in the university district at Minneapolis with **J. W. Prinnell** as district agent.

Why Reinsurer Can Extend Self Farther Than Direct Writer

Very sound reasons exist, the management of reinsurance companies point out, why it is justifiable for the fire reinsurance companies to extend themselves relatively farther than the direct-writing fire insurance companies.

Fire reinsurance companies receive their business from insurance companies, and the reinsurance commissions they pay on pro rata business are paid back to the same insurance companies. In other words, the so-called reinsurance commission is simply a bookkeeping discount. Actually the reinsurance premium is paid by the direct-writing company to the reinsurer net after deduction of commission. In case of cancellation the reinsurance return premium is returned to the direct-writing company net (less commission).

Furthermore, most pro rata fire insurance is placed under pool contracts which provide that if the contract is canceled all the reinsurance liability is canceled at the same time and the reinsurer pays the unearned premium back to the direct-writing company less commission.

Equity Is Real Asset

For these reasons, the so-called equity in the unearned premium reserve is not only a very real asset in the case of a fire reinsurance company, but it is also a very liquid asset. Even in case of insolvency, the liability of the reinsurer would, for the most part, be to return the unearned premium less commission rather than the full unearned premium.

On the other hand, the direct-writing company receives its premium from the assured but pays its commission to an agent. As a matter of practice, the agent deducts his commission in remitting to the company, but in case of cancellation the direct-writing company actually owes the full return premium to the assured but must collect its return commission, if any, from the agent. So long as the company, the agent, and the business are all in good shape, most return premiums are probably paid net (return premium less commission), but in case of insolvency the obligation of the direct-writing company would be to return the full unearned premium to its assured and its claim against its agents for return commission would be worthless.

In normal times the direct-writing company has a valuable asset in its agency plan, and this is what the purchasers really have in mind when they purchase a direct-writing insurance company and allow 40%, more or less, for its unearned premium reserve in addition to its capital and surplus. When times are normal and the business is prosperous, it is a valuable asset, but when things go bad, the direct-writing company's equity in its unearned premium reserve may entirely disappear.

Expense Principally Commissions

Also reinsurance companies have few employes, so their expense is principally commissions, which are recoverable, while the direct-writing companies have many employes, so a substantial part of their expense is salaries, etc., which would not be recoverable in any event.

This distinction is emphasized because so many people seem to think that reinsurance companies should not write any more premiums in relation to their capital and surplus than direct-writing companies, whereas there is really a fundamental difference in the operations of the two classes of companies.

It is still true, of course, that there are many large direct-writing fire insurance companies which have enormous surpluses and, therefore, have the capacity to write more business. It is the general impression that these companies are perfectly willing to write more business at adequate rates and that the real difficulty with the risks that cannot be placed is that they are underrated.

Reinsurance loss ratios are invariably higher than the loss ratios of the direct-writing companies. As compared with last year, however, it is probable that the reinsurance companies will fare relatively as well this year as the direct-writing companies, if not better. The direct-writing companies probably fared worse in the Texas City disaster than the reinsurance companies because the heavy loss fell on Oil Association, which is made up of direct-writing companies. Undoubtedly some of these direct-writing companies had claims under their catastrophe covers, some of which would be written by Reinsurance Corporation of New York, but this company in turn reinsures most of its business with the large direct-writing companies.

Some of the reinsurance companies had reasonably substantial losses in the Florida and Louisiana hurricane, but there is no reason to think that they fared any worse relatively than the direct-writing companies.

It is believed that in the windstorm excess of loss market there has been further tightening this year because the London underwriters undoubtedly had substantial losses in Texas City and must have had some losses in the hurricane and the Maine fires. The disposition in recent years has been to write fire conflagration covers freely and over lower deductibles than windstorm covers. While many of the Texas City losses will be paid as explosion losses or extended coverage losses, there were many losses that will be paid under fire policies, and the losses in Maine will be fire losses. These losses might have some influence on the rates and deductibles in fire conflagration covers.

Insist on Corrections

The fire reinsurance companies generally are trying to stay with their treaties of long standing. However, if the results are unfavorable, they have been insisting on corrections in these treaties in the shape of reduced commissions or sliding scale commissions and, in some cases, a reduction in reinsurance capacity. Where it has been impossible to get adequate corrections in the terms of treaties, some of these treaties of long standing have been canceled, usually with the result that the treaty has been placed with another reinsurer at a commission lower than that of the old treaty.

Reinsurance commissions have been going down for several years and the trend seems to be continuing. The reasons for this trend are sound. During the 1930's, particularly the middle 1930's, fire insurance loss ratios were favorable and premiums were scarce. Competition forced the reinsurance companies to increase reinsurance commissions unreasonably. At the present time business is plentiful and reinsurance premiums are going begging. Consequently, the reinsurance companies are either reducing commissions or are insisting on sliding scales of commissions so that they will have some margin even in case the loss ratio is unfavorable. What is really taking place is a correction of the trend toward higher commissions which went too far in the 1930's.

There are no reinsurance companies that have offered stock to the public, but General Reinsurance group, is putting more capital and surplus into North Star Reinsurance. In addition, some of the foreign fire reinsurers have brought more funds to this country, and some new foreign fire reinsurers are being admitted to do business here. While the total amount in dollars being added to the capital funds of the fire reinsurance companies is much smaller than that being added to the capital funds of the direct-writing companies, it is probable that the increase in the capital funds of the fire reinsurers is about as great in per cent as the increase in the capital funds of the direct-writing companies. The other reinsurance companies undoubtedly feel that they would be handicapped in raising additional capital at this time not so much because the prospects for the future are bad but because the experience of the fire reinsurance companies has been unfavorable for a number of years in the past.

There is always interest among reinsurers as to whether there is any movement either away from or towards the Carpenter plan contracts. It is understood General Accident has abandoned that type of contract for its fire company, Potomac, and is placing all their reinsurance pro rata.

On the other hand, it is reported that Boston and Providence Washington have gone spread loss.

There has not been any tendency among the small or medium sized companies to change from pro rata reinsurance to spread loss because if they changed they would have to carry the unearned premium reserve on their reinsurance, which unearned premium reserve is now being carried for them by their pro rata reinsurers. Through American Mutual Reinsurance of Chicago, a great many mutual companies have changed from pro rata to spread loss, but since American Mutual Reinsurance acts principally as a clearing house, it is simply a case of substituting spread loss reciprocal reinsurance for pro rata reciprocal reinsurance.

Facultative Thing of the Past

Facultative reinsurance is pretty much a thing of the past so far as the professional reinsurance companies are concerned. Most of the facultative reinsurance that is placed is placed between the direct-writing company groups.

As to rate increases, it appears that the rate increases will benefit the reinsurers just as much as, but not much more than the direct-writing companies. So far the rate increases have not been adopted in enough states and they probably have not been large enough. Furthermore, it will take time for these rate increases to have any effect because the rate increases will apply only to new business and it will first be necessary to get the business written under the new rates and then it will take several years before the additional earnings on the new business will have any appreciable effect on the earnings of the companies.

There is interest in whether the professional reinsurers are taking advantage of the new multiple-line laws. There are four large casualty reinsurance companies in the United States. Two of these, General Reinsurance and European General, already have fire affiliates. The other two, Employers and American Reinsurance, have both taken a small amount of fire reinsurance. It is believed none of the professional fire reinsurance companies have taken any steps to write casualty reinsurance. One obstacle to multiple-line reinsurance is that several very important states, including Ohio and Illinois, have not yet amended their laws to permit multiple-line reinsurance.

Jumbo Proposals

Most of the suggestions that a huge aggregation of capital be gotten together in this country to handle the additional reinsurance offered have come from people who have underrated risks to place. For example one of the suggestions came from a man connected with a large chain store, which is a fine organization, but chain stores have been notoriously underrated for years, and consequently the reinsurance has been hard to place.

Some of the grain stored in the big Chicago warehouses is uninsured because capacity cannot be obtained. One of the reasons is that the experience on elevator risks and grain risks has been unfavorable. It is, of course, true that values have increased tremendously and are still increasing and that there is a lot of additional insurance to be handled these days, and undoubtedly some new capital is needed in the business. Some of this capital, however, has been and is being provided by the sale of stock by some of the large direct-writing companies. With this additional capital and the already enormous surpluses of some of the other large direct-writing companies, many feel there is probably adequate capital in the fire insurance business and that the real need is for increases in rates, particularly on some of the classes where the experience has been unfavorable.

Aviation Picture So Poor That It Can Only Improve

The present picture in the aviation insurance business is so bad that some authorities feel that the only thing it can do is improve. This is particularly true of airline risks. On private passenger plans one authority expressed the opinion that the situation is "better" but not "good."

There are two reasons for this. One is the large number of accidents and second is the increasing number of passengers in the planes and the increasing costs of the hulls. Many passenger planes now are 4-engine airliners flying twice as many people and being valued at three and four times as much as the 2-engine liners used generally before the war. The cost per accident is consequently much higher.

The airlines themselves are in financial difficulties due to top-heavy financial structures and the great postwar spread of flight facilities. The many accidents during the year have discouraged the public from flying and thereby decreased airline revenue.

Lloyds Still Competitive

There is increased selectivity in underwriting but this is tempered by a desire to avoid losing the business to the London market. London is selling coverage at rates below that offered by the American market. It is understood that London through its numerous underwriting syndicates recently renewed the insurance on one of the largest American airlines although it had lost more than $1 million on the airline's insurance last year.

The reason why experience has not been as bad on private passenger risks is that they cover less expensive equipment and small premiums are involved.

As of Jan. 1, 1948, there will be but two major underwriting groups in this country. Several independents write aviation but they accept only small risks and generally look only for preferred classifications. None of the groups seems to have been particularly lucky this year insofar as losses are concerned, all of them having been hit with major losses of various sizes. The number of insurable aircraft in this country is less than the number of agents.

Groups All Important

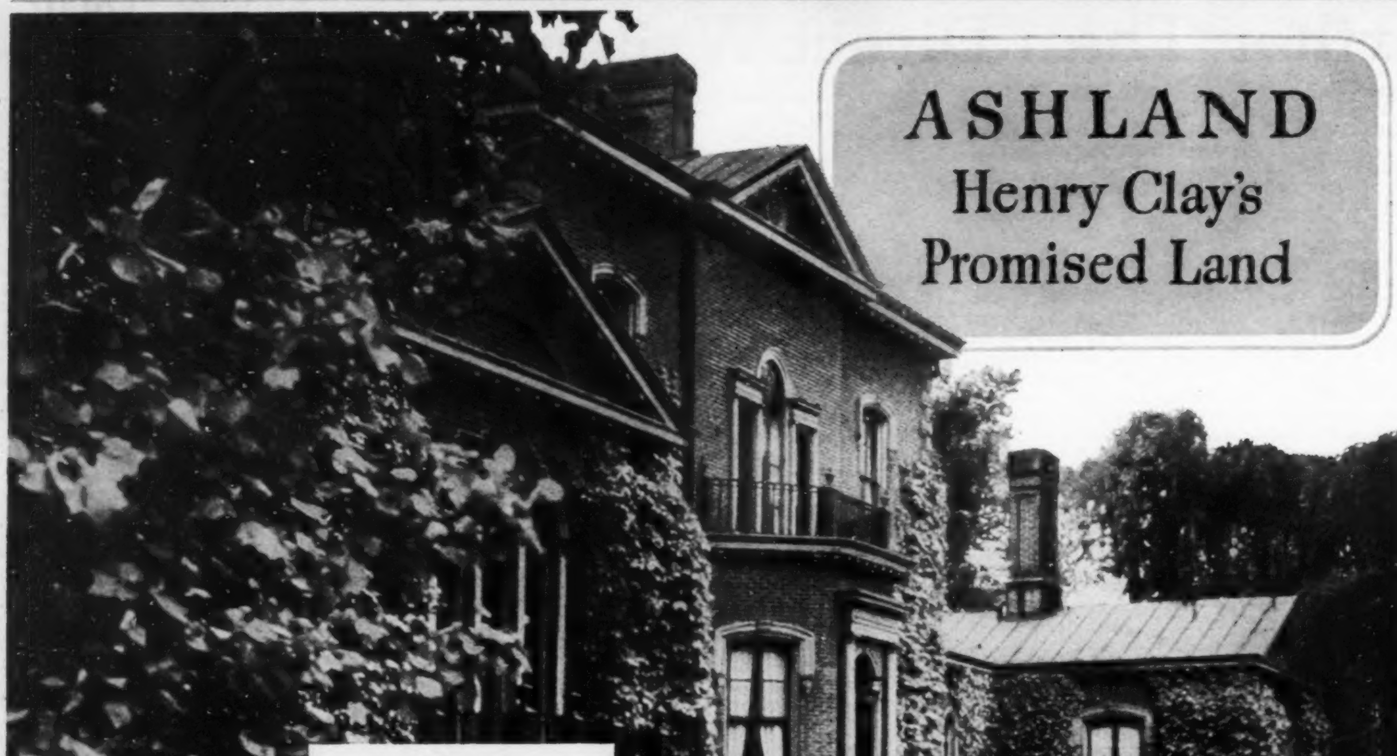
Only the groups have the financial strength to underwrite an airline risk. Without these groups it is doubted that airlines in this country can operate and still maintain their financial responsibility.

Concern over the loss situation has affected the aviation insurance business to such a degree that no plan has as yet been announced which will safeguard the aviation insurance business from federal intervention on rate regulatory laws when the public law 15 moratorium expires in June.

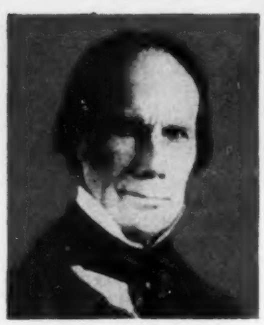
Some of the officials in the business are optimistic because they feel that it is bound to improve "because it certainly can't get any worse."

Famous American Homes

ASHLAND
Henry Clay's Promised Land



Ashland stirs a memory of days when Clay walked this ground he loved



From an old daguerreotype

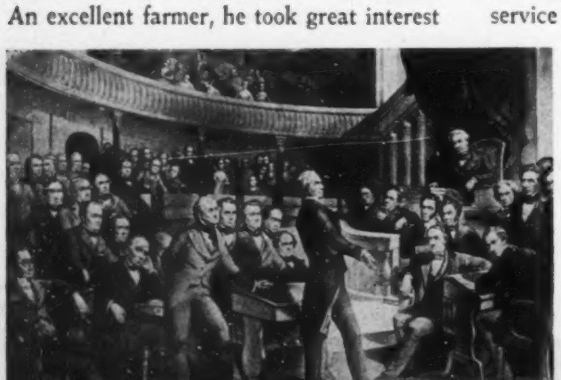
"I AM IN ONE respect better off than Moses," wrote Henry Clay to a friend. "He died without reaching the Promised Land. I occupy as good a farm as any he would have found, had he reached it, and Ashland has been acquired, not by hereditary descent, but by my own labor." Yet though Clay attained his Promised Land, his long career as Congressman, Secretary of State and Senator prevented him from dwelling there as much as he wished. Each time he decided to retire, popular demand and his own zeal forced him to reenter public life.

Clay bought Ashland, near Lexington, Kentucky, in 1806 and built the main house a few years later, adding to the estate at intervals until it included 600 fertile acres. An excellent farmer, he took great interest in the management of the place and in raising fine horses and breeding cattle. In his absence much of the responsibility was shouldered by his wife, the former Lucretia Hart, and, as Clay declared, "how diligently, how nobly she has performed the duties thus devolved upon her can be known to no mortal save myself alone."

Henry Clay achieved his fame, just as he acquired Ashland, through his own efforts. Lacking much formal education, he nevertheless rapidly made his reputation as a brilliant orator and lawyer. People used to say that no one whom Clay defended was ever hanged. Whenever he spoke, huge crowds gathered, attracted by his superb voice and compelling personality. However, his renouncing a lucrative law practice for public service prevented him from becoming wealthy. In fact, at one time it seemed that he would have to sell Ashland until anonymous friends throughout the country raised $50,000 with which they settled his obligations.

Between 1824 and 1848 Clay was a strong presidential candidate in nearly every campaign but in spite of his popularity and the fact that for a generation he was the acknowledged leader of his party, the nation never rewarded him with its highest office. Although he is quoted as saying, "I would rather be right than President," his failure to attain this position was a bitter disappointment. His private life was further saddened by family tragedies. Of eleven children, all six daughters died before their father, one son was killed in the Mexican War and another became insane after an accident.

After Clay's death the house at Ashland was torn down, but the present dwelling, reconstructed by his son on the same plan and with some of the original materials preserves the same general aspect. Within are much of Clay's furniture and many mementos of his career. Though the estate has dwindled in size, it still retains the peaceful charm which made it a place of solace to the famous owner.



Henry Clay addressing the Senators in 1850

The Home, through its agents and brokers, is America's leading insurance protector of American Homes and the Homes of American Industry.

☆ THE HOME ☆
Insurance Company
NEW YORK
FIRE • AUTOMOBILE • MARINE

re-
ough
ather
o at-
oint-
ened
, all
one
and
nt.
land
ling,
plan
pre-
are
men-
has
ceful
e to

kers,
ctor
s of

☆

ny

NE